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East Europe Report

ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2290

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1 July 1982

EAST EUROPE REPORT

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SELECTED ARTICLES ON POLISH-USSR TRADE

Trade Exchange, Aid, Cooperation

Warsaw RYNKI ZAGRANICZNE in Polish No 1, 2 Mar 82 p1

[Article: "Poland-USSR -- Trade Exchange, Assistance, Cooperation"]

[Text] Given the restrictive economic moves on the part of many Western countries, our economic cooperation with the socialist countries is taking on increasing importance, and here the Soviet Union's trade and assistance are of the greatest significance.

The Soviet partner is demonstrating a great understanding of our economic difficulties and is agreeing to a reduction in our deliveries projected in bilateral agreements. While our foreign trade in 1981 fell drastically overall, Soviet deliveries increased by 11-percent to 4.8 billion rubles, 3.1 billion of which consisted of exports of raw and other materials and fuels. These exports consisted in part of additional deliveries made above and beyond the trade agreement, those under the auspices of the Soviet Union's economic assistance to us.

At the same time Polish exports to the USSR last year declined by 11.7 percent to about 3.6 billion rubles. With relation to our Soviet partner we failed to deliver not only coal but also capital goods (totalling about 230 million rubles) and many items of light industry, such as textiles, ready-to-wear, and furniture.

It is also worth emphasizing that the Soviet Union granted us credit in "free" foreign exchange and that even though our indebtedness is already approaching nearly 5 billion rubles, we have obtained new credit amounting to 2.7 billion rubles to buy essential raw materials.

At the beginning of the year we signed a trade protocol for this year which provides that the value of mutual deliveries will be on about the same level as last year. Hence the lack of balance in trade will be maintained, because the Soviet Union's exports to us are to amount to 4.8 billion rubles, while our deliveries will amount to 3.6 billion. The significance of this trade to our economy is determined not only by the sizes but above all by the commodity structure of Soviet deliveries, which are to be 75 percent fuels, raw materials, materials for production, and market items. It is worth emphasizing here

that back in January contracts with a value exceeding 2.9 billion rubles were signed, and this represents 84 percent of annual Soviet obligations in the realm of deliveries to supply our industrial production. Talks are also in progress concerning the joint use of untapped manufacturing capacity in our industry.

It is therefore no exaggeration to state that economic cooperation with the Soviet Union has been and will continue to be a major factor in the development of our country and the basis of the existence of many areas of industry and trade. We can see in this context the great significance of the Polish party-state delegation's visit to the Soviet Union.

Reliable Alliance

Warsaw RZECZPOSPOLITA in Polish No 40, 1 Mar 82 pp 1,2

[Article by Marek Pogodski: "Unfailing Alliance"]

[Text] The promised visit by the Polish party-state delegation to the Soviet Union will be of great significance both in the sphere of political and economic relations and in the overall dimension of international policy.

For us Polish citizens the alliance with the Soviet Union has been the foundation of an assurance of our nation's independence and the guarantee of the lasting nature of our borders, peace, and security. In difficult moments we have been protected by the alliance, which was made in the common struggle with a common enemy during World War II and which was sealed with the joint shedding of blood. On the other hand, the peace and security which we gained through it have allowed us to build and develop our country. Without the assistance of our Soviet allies it would have been difficult for our country to rebuild and pull itself out of the destruction of war.

We are living through a difficult period. The administration in Washington is mobilizing all the antidetente and antisocialist forces to blackmail Poland politically and economically. The economic sanctions and restrictions levied against Poland are not to humiliate us but to destroy our country economically. Therefore, each day we must make an accurate detailed balance of our international cooperation, and this balance-sheet is showing clearly how serious the Western sanctions and restrictions would have been, if it were not for the help of friends.

The Soviet Union decided to accomplish most of its deliveries of raw and other materials during the first and second quarters of this year, that is, during the period most difficult for our economy. Despite our indebtedness, which is approaching nearly 5 billion rubles, we have obtained new credit in the amount of 2.7 billion to buy essential raw materials. As Gen Wojciech Jaruzelski stated in his address to the Seventh Party Plenum, during the past few days Leonid Brezhnev has given information about the decisions of the Politburo of the CPSU Central Committee on additional deliveries of raw and other materials to insure continuity of work to hundreds of Polish enterprises.

This is not assistance with business ends in view, calculated on one-sided profit or on making the partner dependent. It is a lasting element of co-operation based on the principles of internationalism and the fraternal relations of socialist states.

Economic cooperation with the Soviet Union will also continue to be a major factor in our country's development and the basis of the existence of many areas of trade and industry. It is worthwhile remembering that in the years 1976-1980 imports of raw materials and fuels from the USSR cost Poland about 22.5 billion zlotys in foreign exchange less than if we had made these purchases on other markets and paid the current world prices.

Polish-Soviet economic cooperation encompasses 54 multilateral and 22 bilateral specialized and coproduction agreements. The deliveries anticipated from these international agreements represent about 20 percent of Polish exports and 10 percent of the imports from the USSR. Because of these agreements the division of labor has expanded and become stronger in industries such as the automotive industry, steering systems and automation, aircraft production, farm machinery, building equipment and machinery, and road equipment and machinery.

We are going through some difficult moments, but we are looking towards the future with hope. We believe that we will overcome our difficulties and prevail over the crisis, despite all kinds of barriers within and without. At the same time, we are aware that this would not be possible without the cooperation and assistance of our friends.

The impending Polish visit to the Soviet Union will also be of great political significance. It emphasizes the fact that all sorts of attempts to isolate Poland internationally are doomed to failure. Alliance with the Soviet Union, membership in the community of socialist nations, bolsters our international position, our sovereignty, and the ability to protect our interests. The problems which Poland is resolving, as was stated in a report of the PZPR Politburo at the Seventh Party Plenum, have become a subject of international U.S. action calculated to isolate our country, to weaken it economically, and to force on us solutions which would be convenient to those countries in the West which still have illusions about the possibilities of changing the regime in Poland, those forces which are counting on being able to drive Poland out of the camp of the socialist states.

Those hopes are empty. The resolutions of the Seventh Party Plenum and the deliberations of the final session of the Polish Sejm proved once more our desire to maintain the socialist renewal line, so that that a strong, forceful socialist Poland can remain an inviolable link in the socialist community.

Assistance for Shipping Industry

Warsaw RZECZPOSPOLITA in Polish No 42, 3 Mar 82 p2

[Article: "Dilemmas and Hopes of the Maritime Economy -- Shipyard Problems, Soviet Assistance"]

[Text] One of the major sources of free foreign exchange, which our economy needs so much just now, has been, is, and will be the maritime economy. The ship-building industry has permanently made itself an export branch second only to coal. Shipping is not only an instrument in active defense of the balance of payments but also brings into the state coffers substantial amounts of foreign currency. The situation with ports is similar, although this issue is not so simple and for a long time much of the potential has remained unused.

Shipping is the greatest helping hand out of the crisis. Last year PLO [Polish Ocean Lines] made an even greater balance-of-payments profit than the year before. The great drop in the cargo of Polish foreign trade was more than made up for by transit and shipping between foreign ports. Without diminishing in any way the merits of crews at sea on PLO ships, we must say clearly that this whole economic "miracle" would have been impossible without the previously introduced far-reaching independence of the company.

The ship-building industry is in a far more difficult situation. Even in the best of years the shipyards have been condemned to dealing with breakdowns in cooperation. These great shipyards have still had to chase after their suppliers, sometimes close their eyes to their infidelities and look increasingly to imports. Last year, somehow it all continued to work somehow, but from month to month the catalogue of shortages increased. Currently the situation has become critical, but the sore point is the lack of foreign exchange to import fittings, imports which after all never can be avoided, even given the best possible domestic cooperation. At the moment the most urgent matter is the implementation of the shipyards' right, implied by the reform, to dispose of part of the foreign-exchange profit they have made. Because of relatively minor sums to import fittings, the shipyards are in danger of facing many millions in fines for failing to deliver ships on time.

It has been possible temporarily to defer some of the danger and to renegotiate the delivery dates with our customers. More optimistic are the talks with the Soviet shipbuilding industry concerning supplying our shipyards with the most vital materials and equipment, especially cables, paints, and manufacturing equipment for fishing boats.

If the shipyards are successful in overcoming the current difficulties, their future should not hold any special fears. The portfolio of orders to the year 1985 is full.

In the ports, turnovers are presently one-third to one-half of the sizes in the peak years, but despite this fact we do not see any sensational improvement in the shipping schedules. The main reason is equipment inefficiencies resulting from the shortages of spare parts. For this reason, far over half the moving cranes, stackers, carts, and other pieces of equipment stand idle. Because most of the equipment is imported and there is a shortage of foreign currency here too, this factor is often a barrier which cannot be overcome. Like the shipyards, the ports are trying to mobilize the foreign-exchange allowances from their profits as quickly as possible.

Transshipping of our own commodities will undoubtedly soon reach the ceiling of a few years ago. Meanwhile, we could profitably serve our neighbors to the South, who are eager to use the services of our ports, but here it is necessary to provide the assurance that these services will be reliable and on schedule.

TPPR, Polish-Soviet Economic Cooperation

Warsaw RZECZPOSPOLITA in Polish No 47, 9 Mar 82 pp 1,3

[Article by Zbigniew Bozek: "Polish-Soviet Economic Cooperation -- Meeting at the TPPR Main Board"]

[Text] Activists of the central aktiv of the Society for Polish-Soviet Friendship met with a member of the Polish party-state delegation who had made the official visit to the USSR, Marian Wozniak, deputy member of the Politburo and secretary of the PZPR Central Committee, on 8 [March] at the House of Polish-Soviet Friendship in Warsaw.

He acquainted the people at the meeting with the course of the friendly visit and emphasized its significance for making permanent Polish-Soviet economic cooperation, friendship, and alliance. The party secretary emphasized that cooperation with the USSR is playing a decisive role in solving our economic difficulties. Without the aid which is being given us by the socialist countries, especially the Soviet Union, it would be impossible for our country to find a way out of the deep crisis. This is all the more important now when certain governments of Western governments, especially the United States, want to use the situation in Poland to make our country an instrument for their own interests and to escalate international tensions. An extreme example of this policy is the application of economic restrictions vis-a-vis Poland and the Soviet Union.

Poland needs not so much humanitarian aid as reliable economic cooperation, especially raw materials, coproduction, and trade. We can count on such cooperation from the Soviet Union, which is treating our difficulties with understanding and giving immediate, comprehensive assistance. This was confirmed by the visit of our country's party-state delegation and the talks in Moscow with key representatives of political and economic life in the Soviet Union. In a situation where the shortage of raw materials threatens to halt production in some of our plants, we are receiving from the USSR,

for example, wool, cotton, and other raw and other materials under convenient terms, and the materials will go for processing in Polish enterprises. This will permit the operation, for example, of the textile, clothing, footwear, and other industries. Soviet aid also consists of supplying materials and equipment to permit completion of previously begun industrial investments and of increasing deliveries of crude oil, gasoline, and gas.

The Soviet Union has made it possible for us to utilize all the economic agreements and contracts entered into, despite the fact that Poland is having great difficulty at present in fully discharging its export obligations and has an adverse trade balance with the USSR. Soviet assistance is of tremendous significance in overcoming the economic crisis in our country, and in the long run in activating our economy.

The people at the TPPR activists' meeting adopted a resolution stating, for example, that they had been attentive and satisfied as the result of learning about the results of the visit of the party-state delegation from Poland headed by PZPR First Secretary Gen Wojciech Jaruzelski to the USSR, as announced in a joint communique signed in Moscow. The warmth and friendship surrounding the talks and the concrete provisions once more confirmed the lasting nature of the friendship, alliance, and cooperation between the two countries, the basis and source of which go back to the Polish-Soviet brotherhood at arms growing out of the years of struggle against the Nazi invasion forces, the ideological and political joint interests, and the need to insure common security. The Polish nation can face the future with hope, given the certainty of the moral, political, and economic support from its closest friends.

In the declaration the TPPR activists called on all members and sympathizers of the society to spread the rich content of the joint communique issued at the close of the visit of the Polish party-state delegation in the USSR and to undertake concrete action to implement the provisions implied by this visit, to make full use of the new possibilities and the chance for Poland to get out of the economic and socio-political crisis, for deepening Polish-Soviet friendship and cooperation, and for bolstering socialism.

Additional Deliveries for Construction Industry

Warsaw RZECZPOSPOLITA in Polish No 47, 9 Mar 82 p8

[Article: "Additional Soviet Deliveries for Building Materials Industry"]

[Text] As the result of the talks recently conducted with a delegation of Soviet specialists in Poland representing various branches of industry, the construction and building materials industry ministry will receive additional deliveries of long-fiber asbestos, the raw material essential in producing asbestos-cement blocks (eternit) and asbestos-cement pipe.

In all the Soviet deliveries will total 12,000 tons and be nearly 5,000 tons greater than last year. They will make it possible to produce about 15 mil-

lion square meters of asbestos-cement boards more than was initially projected.

Because of Soviet assistance, imports of asbestos from II payments area countries have been substantially reduced.

In addition, within the construction and building-materials industry ministry talks were held on the subject of deepening scientific-technical cooperation between Polish and Soviet specialists in the realm of using asbestos in the production of building materials.

Raw Materials Deliveries

Warsaw RZECZPOSPOLITA in Polish No 50, 12 Mar 82 p7

[Article: "Aftermath of Polish-Soviet Economic Talks; USSR Participation in Carrying Out Stalled Investments, Deliveries of Many Raw Materials"]

[Text] Warsaw (PAP). The Polish-Soviet economic talks conducted at the end of February and the beginning of March in Warsaw have already produced concrete results. The Polish side listed several problems the solution of which, given Soviet aid, would reduce substantially our economic problems.

The matter of help with raw materials was primary. Alongside the normal deliveries provided for in the protocol, which the Soviet Union is carrying out despite the greatly reduced deliveries from Poland, the USSR will supply Poland with many raw materials which we previously imported from free foreign exchange areas, by the end of this June, in keeping with a decision of the Politburo of the CPSU Central Committee dated 18 February of this year. These deliveries will include 4,600 tons of long-fiber cotton, 2,300 tons of high-pressure polyethylene, 3,200 tons of polyvinyl chloride resin, 6,000 tons of synthetic rubber, 32,000 tons of aluminum oxide, 4,000 tons of wool, 13,200 tons of unprepared cattle hides, 6,500 tons of viscose cellulose, and 7,000 tons of chemical fibers.

The value of these deliveries is estimated at about 60 million rubles. Based on these raw materials certain commodities will be produced in Poland for export to the USSR, such as 28.6 million tons of cotton textiles, 7.5 million tons of woolen textiles, 3.5 million tons of silk textiles, 1 million square meters of carpet, 9 million pieces of knitwear, and 8 million pairs of leather footwear. At the present time Poland is obtaining significant benefits from processing the raw materials it obtains, because about 14 percent of the goods produced from them will remain on the domestic market, and the value of the goods exported to the USSR will amount to about 200 million rubles. Another advantage is the assurance of work for many plants which would have to close for lack of raw materials otherwise.

The Soviet side has announced the possibility of additional raw materials deliveries for light industry, like polyvinyl fiber, polyamide cables, and tailings from polyacrylnitryl yarn. At the present time talks are in progress on the subject of the size and scope of Polish deliveries for certain amounts of the above-mentioned raw materials.

As everyone knows, Poland has offered to make our industry's unused potential available to the socialist countries. Up until now, the Soviet Union has affirmed its interest in cooperation in the production of color television picture tubes, goods milled from copper, and also the exploitation of under-utilized capacity in ferrous metallurgy. For example, Soviet specialists are reviewing the possibilities for Soviet participation in carrying out the temporarily interrupted investments of the department for working rails and the coking plant at the Katowice Iron and Steel Works, the department of seamless pipe in the Jednosc (Unity) Iron and Steel Works, and the contour form department at the Pokoj (Peace) Iron and Steel Works.

The Warsaw television plants are also undergoing problems in securing materials. And here the Soviet side is looking into the possibilities for delivery of sets of components for making black-and-white television sets.

There has been a fundamental review of the foreign exchange problem for the import of raw materials and equipment for the machinery, equipment, and apparatus which Poland exports to the USSR, because this problem is so difficult for Polish industry. The Soviet side has agreed to a mutual solution to this problem with regard to telephone exchanges, ships, and missing items to complete the Waz and Kamaz trucks. The total value of imports from the capitalist countries for the above-mentioned purposes has been set at about 30 million dollars per year.

These are important decisions, but they are more or less immediate. For this reason the two sides have recognized it as essential to determine together the major subjects of cooperation geared particularly at making Poland independent of coproduction ties with the capitalist countries. During the first stage, specialists from the two countries are working out a cooperation program for the production of automatic electronic telephone exchanges, the production of equipment for outfitting ships, the production of electronic components and special materials for the electronics industry, and the production of blocks and components for color television sets, and for the organization of production in Poland of low-grade asbestos slabs and the production of heavy technical textiles.

We can say that the completion of this work will be the beginning of a qualitatively new stage of cooperation among the CEMA countries, especially cooperation between Poland and the Soviet Union, because this will involve ties of a long-range nature and at the same time be broad in scope, but the main feature is the fact that the cooperation is based on the principle of economic accounting and bilateral benefits.

It is worthwhile to point out the rate at which the new cooperation agreements are being implemented. Never before have decisions on the government level been implemented into everyday practice so quickly. For some time now many of our factories have been working with Soviet raw materials supplied within the framework of assistance. There have also been worker contacts at the plant level, like the direct cooperation between Polcolor and plants in Brzesc and that between Ursus and the plants in Minsk.

Difficulties often bring energy and initiative to life. We are witnesses to this fact in the realm of Polish-Soviet economic cooperation

CEMA Assistance

Katowice TRYBUNA ROBOTNICZA in Polish 17 Mar 82 pp 1,2

[Article: "Concrete Expression of Brotherly Aid—From the CEMA Countries to Poland: Credit and Deliveries Valued at 10 billion Zlotys, Nonrepayable Loans, Food, Market Goods, and Raw Materials for Industry"]

[Text] Warsaw (PAP). After 13 December, in response to the Polish authorities' appeal, the socialist countries rushed to our aid, sending market commodities, and raw and other materials for production to Poland.

Last December and this January, under the auspices of immediate assistance we received commodities valued at about 2.2 billion zlotys from the Soviet Union. This is more than the sizes set down in the annual trade protocol. These deliveries were accomplished within the framework of the credit granted to us, which Poland will repay after 1985. It is worth recalling that Poland received among other things 465 million dollars in nonrepayable Soviet assistance earlier.

Under the auspices of nonrepayable assistance which the GDR gave us, we received commodities valued at nearly 2 billion zlotys. All these deliveries have already been made.

Towards the end of last year [1981] Czechoslovakia promised us deliveries of goods (above and beyond those provided for in the protocol) with a total value of nearly 2.6 billion zlotys. These goods are still being delivered, and they are being treated as nonrepayable assistance.

Hungary promised, also within the framework of nonrepayable assistance, to increase deliveries above and beyond the amounts specified in the contract agreements by a total of about 2.5 billion zlotys.

Bulgaria also rushed to make additional deliveries totalling a value of about 480 million zlotys. We will not pay for these deliveries, which have already been completed, until 1984, and we will be paying very low annual interest, 2.5 percent.

It must be emphasized here that countries like the following have also offered assistance, treating the deliveries of their commodities as non-repayable assistance: Mongolia (136 million zlotys), Vietnam (about 7 million zlotys), Korean People's Democratic Republic (68 million zlotys), Yugoslavia (15 million dollars), and Afghanistan (700,000 dollars).

The total value of the assistance which the above-mentioned countries have extended to us is estimated at about 10 billion zlotys, calculated in retail prices. This represents about 8 percent of the monthly deliveries to the domestic market.

What do the deliveries from the brother countries include and what have they included? For the most part, market goods, and here food makes up a sizeable percentage. Part of the assistance has been in the form of packages for children. Deliveries of food and washing agents have been important from the viewpoint of social needs.

Premier Wojciech Jaruzelski, First Secretary of the PZPR Central Committee, appealed to the first secretaries of the central committees of the CEMA countries to give Poland further assistance in the form of accelerating this year's deliveries, so that the major shares would come during the first two quarters, because it is a question of easing the economic sanctions imposed by the U.S. government and the governments of some Western countries.

The Polish side expressed the desire for our CEMA partners to speed up deliveries of market goods, especially food and agricultural items, medication, agents of personal hygiene, raw and other materials for production, and spare parts in the item assortments and quantities to meet our needs.

We also asked for increased deliveries of the above-mentioned commodity groups to sizes above and beyond the usual ones, with agreement to defer Poland's repayment of the adverse balance of payments from 1982 to later years and to review the possibilities of delivering to Poland certain raw and other materials which we used to import from the West.

Basically all our partners reacted affirmatively to Poland's request. The USSR confirmed deliveries during the first quarter of 25 percent of the annual size of deliveries, which is more than in previous years, when the largest shares of the goods usually fell during the third and fourth quarters.

As the first partner, the Soviet Union took advantage of our offer to allow them to use our unused production capacity in Polish industry. The agreements provide for us to supply the USSR with certain amounts of finished goods in exchange for Soviet raw materials.

The other CEMA countries declared their readiness to supply an average of 30 percent of the total annual amounts of market goods and raw materials right during the first quarter, and Bulgaria even took it upon itself to perform the entire year's deliveries during the first two quarters.

In terms of deliveries exceeding the amounts provided for in the protocols, Czechoslovakia, Bulgaria, and Romania announced deliveries totaling a value of about 1.5 billion zlotys.

Poland also gained agreement for the deferral of repayment in connection with these additional deliveries, and Czechoslovakia and Bulgaria even agreed to defer repayment beyond the year 1985.

Talks are also in the final stages concerning the exploitation of unused capacity in Polish industry.

Joint Efforts

Warsaw RZECZPOSPOLITA in Polish No 56, 19 Mar 82 p6

[Article by Zbigniew Bozek: "In the Language of Facts -- on the Vistula and at Moscow"]

[Text] (Our own correspondence) "Brotherly unity," the confirmation of "ties of friendship and cooperation," "unity of views on all issues," "USSR assistance an important factor in the stability of the Polish economy," "a new chapter in cooperation,"... these are only a few of the headlines in the world press at the head of commentaries and articles in connection with one of the most important events on the international scene of the past few days.

This is because there is a lively general interest in the course of events and the fruits of the important visit which the Polish party-state delegation, headed by General Wojciech Jaruzelski, chairman of the Council of Ministers and First Secretary of the PZPR Central Committee, made to the Soviet capital. In Moscow, as in Warsaw, it is thought that the visit made a new contribution to the bolstering of friendship and cooperation between our countries and our nations and that it created the next stage in Polish-Soviet cooperation. At the same time it was an important event in the life of the whole community of socialist states, and it also is of unequivocal international significance in terms of the position of an independent, socialist Poland. Today there is talk on the Vistula and near Moscow about Polish-Soviet cooperation not only in the language of promises and communiques but also in the language of concrete facts.

Decisive Role of Raw Materials

The economic aid and cooperation of the Soviet Union have been of first-ranking, absolutely vital importance to our country today. The Soviet Union's readiness to bring comprehensive economic help to us, which is so important during a period in which Washington and certain of its West European allies have broken the generally accepted international norms by using political blackmail and economic restrictions and are trying to frustrate the process of normalization of life and the gradual restoration of our economic stability and to interfere in affairs that are purely our own internal matters, has been decisive proof of international brotherly relations.

The stable Soviet deliveries of fuels and raw materials confirmed during the recent talks will be of decisive importance to our economy, and we should remember that they "feed" the basic branches of our heavy and light industry. We annually import, for example, 13.1 million tons of crude oil, 5.3 billion cubic meters of gas, about 3 million tons of petroleum products,

more than 16 million tons of iron alloys, 213,000 tons of paper and cellulose, 125,000 tons of cotton, and 53,000 tons of aluminum.

At the decision of the Politburo of the CPSU Central Committee, the Soviet Union determined that it would send to Poland additional quantities of raw and other materials like cotton, leather, wool, plastic fibers, synthetic rubber, aluminum oxide, and viscose cellulose. These deliveries will help us get through the economic crisis and will be an important factor in gradually stabilizing our economy. Finally, they will make us independent of those who broke the bilaterally accepted principles of not entering into the mixing of relations of economic cooperation with political conditions.

Joint Effort, Mutual Benefits

Also important for our economy in the area of raw materials is the Soviet partner's promise to accelerate the deliveries of natural gas and milled goods provided for in the economic agreements.

The promise of new possibilities of investments in the Soviet Union which are beneficial for Poland, with the participation of our enterprises and specialists, is also aimed at raw materials sources. It is sufficient to remember that it is just because of our joint efforts in the construction of installations through the multinational effort of the countries of the socialist community that we have assured ourselves of many years of additional favorable deliveries of Orenburg natural gas, Kiyembayev asbestos, Ust-Ilim cellulose, and Bielorrussian potassium salts.

Because of our participation in the expansion of Soviet atomic energy, beginning in 1984 we will receive for 20 years an additional shot of 1.2 billion kilowatts of power from the Khmelnitskiy nuclear power plant, in whose construction Poland has had a part. It was not long ago that an agreement was signed to initiate construction of our country's first section of a super high pressure 750 kilovolt transmission line by which Soviet power will be supplied to Rzeszow. The Soviet Union has at the same time insured us of help in building the first Polish nuclear electric power plant in Zarnowiec, which will be put up by Polish personnel specialized in the construction of the nuclear power plants at Smolensk, Kursk, and Khmelnitsk.

As agreed in the course of the Moscow talks, through joint effort the construction of certain factories will be finalized.

New Forms of Cooperation

Another interesting form of assistance from the Soviet partner, a way which is beneficial to us, is aimed at making full use of our developed production and personnel potential. As the result of in-depth research, certain Polish enterprises will undertake the processing of Soviet raw and other materials, which will make it possible to maintain production in hundreds of factories, will reduce difficulties on the labor market, and finally will enrich our market with many sought-after items, because we will be paid for processing the raw and other materials with a certain share of the finished products.

The principles of this cooperation encompass first of all the plants of the textile, leather, rubber, and synthetic fiber industries.

The Polish economy is finally facing the possibilities promised during the Polish-Soviet talks in Moscow, possibilities for new higher forms of economic cooperation. It is anticipated that within the framework of bilateral and multilateral efforts of all CEMA countries there will be a basic expansion and deepening of specialization and direct cooperation between enterprises. This pertains in particular to the self-financing branches, such as the electric-machine industry, shipbuilding industry, and the industries of modern means of communications and metallurgy.

We face similarly broad possibilities for cooperation in other areas: agriculture, science, engineering, and culture, cooperation based on the principles of fully equal rights, mutual benefits and economic advantages.

There is one other feature which has been characteristic of the recent Polish-Soviet talks and the documents adopted as the result of these talks, All of them are being inculcated right away, without unnecessary procedure, because in our cooperation it is facts first of all which count.

Neighborly stable economic cooperation with the Soviet Union is opening up before Poland the way to a gradual route out of the crisis. Neighborly aid is on the other hand material expression of the Soviet Union's many assurances that it will not leave socialist Poland in poverty, and as the old saying goes, it is in need that one learns who his true friends are.

Trade Relations: Myths and Realities

Warsaw RZECZPOSPOLITA in Polish No 59, 23 Mar 82 p4

[Article by Tomasz Bartoszewicz: "Trade With the USSR: Myths and Realities"]

[Text] Polish society is extremely subject to myths. Something or somebody always has to be to blame for all our misfortunes. A particularly popular myth is the one that trade relations with the USSR are disadvantageous to Poland.

This myth operates not only in the lines ("You know, I have this friend, a railroad worker, who personally saw with his own eyes how everything is being exported to the east") but what is worse also quite seriously by people who it might be presumed could be expected to be familiar with the facts.

The profound food crisis in which Poland has found itself must obviously evoke social dissatisfaction. The source of this crisis can be most easily explained not in the errors of native economic policy but in outside factors. For years whispered propaganda has been spreading the gossip that there is a shortage of food because it is being sent east. How many such stories we have heard on this subject during the past few

years. We were supposedly actually feeding the Olympics, and in the best case all the national liberation movements in the world!

Myth Number One -- Food

On the other hand, the truth is that food and agriculture exports for years have been representing about 2 percent of all our exports to the USSR (in 1980, about 70 million rubles). The item-assortment structure of these exports is stable and has been for years, encompassing such commodities as apples, frozen fruits and vegetables, fruit extracts, cut flowers, and up until 1981, potatoes and eggs. We do not export grain or meat to the USSR at all.

So how should we treat all the known legends about the exportation of food to the east? I think that except for intentional insinuations, these are the repercussions of our country's role as a transit country for a large share of the trade between the USSR and the countries of Western Europe and the GDR, because it is true that the Polish-Soviet border has large shipments of food which the USSR imports from the capitalist countries cross it in an easterly direction. This also applies to meat imported from the Common Market area. In addition, shipments of food from Western Europe to Iran and other Persian Gulf countries also sometimes pass through Poland and the USSR.

The principle of free transit is one of the supreme principles of international relations. I do not imagine after all that anyone in our country could question it. Let us add that the money earned from transit is not at all bad.

Since 1964 the unit of clearing in international turnovers in CEMA has been the transferable ruble, which is based on gold. Against the backdrop of the transferable ruble there have been a host of misunderstandings, most of which seem to imply that it is associated with the ruble in circulation, which is the domestic monetary unit of the USSR. The transferable ruble is nothing more than a uniform system for recording clearings of accounts between CEMA countries, conducted by the International Bank of Economic Cooperation (IBEC).

Myth Number Two -- The Dollar and the Ruble

This is not real money, because it is not issued. After all, it sort of amounts to what we call a Common Market monetary unit (also called an Ecu) used mainly to establish a uniform price system for farm products under the auspices of a free market farm policy.

Therefore to juxtapose the transferable ruble to the dollar is just as much nonsense as to compare it to any other sort of conventional clearing unit (including the dollar) used within the framework of the system of clearing in free foreign exchange. It is true that the transferable ruble was supposed to serve in a somewhat different role, because there

was the notion of a system of multilateral clearing for the whole CEMA area, but in practice, there are still no multilateral clearings within CEMA, despite the assumptions made at one time in a comprehensive program of socialist integration. This proves the imperfections of the current mechanisms, but it has nothing whatever to do with the system of prices or the clearings used in trade between the USSR and Poland.

We often hear the example of the "wonderful exchange of 62 kopecks on the dollar," but it is therefore an example which at best simply is the product of a lack of familiarity with the system of international clearing of accounts. The completely different matter is the fact that this system is not very well known to the public, and in the 1970's the whole clearing of accounts in foreign trade was treated as a matter of secrecy (which was after all complete nonsense, because can you keep quiet a secret which is known to many thousands of employees in the foreign trade ministry and analyzed in the foreign press?!).

The new system of clearings introduced within the framework of the economic reform finally made it possible to get away from the infamous conversion tables and is already more legible. It also seems as though we are getting away from the secrecy mania gradually, but I am afraid that the good old bureaucratic customs may appear again.

Although a good deal has been written about the system of so-called creeping prices used within the framework of CEMA, it is still not very well known, and it is the public's feeling that we are selling everything dirt cheap, in exchange buying things at very high prices. Here I do not want to justify clumsy trade people or close my eyes to the obvious facts of certain very poor transactions, but this applies mainly to trade with capitalist countries. In the case of CEMA countries, the system of creeping prices, after all, leaves only a small margin for price negotiations.

Since 1973 we have been seeing a constant rise in world prices on fuel and raw materials. Taking into account that in turnovers with the USSR we are a net importer of raw materials and fuels (65 percent of Polish imports from the USSR) and an exporter first of all of industrial goods (barely 12 percent of all exports to the USSR consist of raw materials and fuels), there is a phenomenon of constantly worsening price conditions in trade with this country.

Myth Number Three -- We Subsidize Trade

The system of creeping prices nonetheless slows this process down, because the price is set not on the basis of current world prices but as the mean for the period of the past 5 years. In practice this means that if we took all the goods which we export to the USSR and sold them on the markets of the capitalist countries, we would not be able to buy there the same amount of raw materials and fuels which we import from the USSR. I am not mentioning here the fact that in the case of many goods, there would be serious problems with selling them.

The structure of trade turnovers between Poland and the USSR is hence very favorable to us within the framework of the price system which exists in CEMA. I am afraid that this is a structure which may be difficult to maintain in the future, and we should be aware of this, but for today, particularly in the face of the additional raw materials deliveries promised us from the USSR, it is an important handicap working in favor of the Polish economy.

For many of our readers, especially those with access to the foreign press, the fact presented are obvious. Despite this, primitive anti-Sovietism is not receding in the face of total nonsense. No facts will be convincing, but the author of this article will be accused of receiving a fee in rubles (transfer rubles, of course) and not in zlotys. On the other hand, the facts are incontestable. They prove the partnership relations in trade between Poland and the Soviet Union, but if we are to talk about benefits, especially now, the Polish side can enter them into its accounts.

Earlier, Additional Raw Material Deliveries

Warsaw RZECZPOSPOLITA in Polish No 62, 26 Mar 82 pp 1,6

[Article: "Polish-Soviet Trade Talks -- Earlier Deliveries of Vital Raw Materials from the USSR"]

[Text] Moscow (C). The chairman of the Polish delegation arriving in Moscow for the CEMA commission deliberations, Minister Tadeusz Nestorowicz, conducted talks on accomplishing this year's raw materials deliveries from the Soviet Union for Poland and the possibilities for further expanding Soviet exports, mainly for the needs of our agriculture.

This year Soviet raw materials which we import are expected to total nearly 3.5 billion rubles, while, on our side, exports of raw materials to the USSR in terms of value will amount to only half a billion rubles. The adverse balance of trade in our books will be nearly 3 billion rubles. This follows from the structure of trade exchange. The share of raw materials in our imports from the USSR will amount to 72.8 percent of purchases, but in exports to the USSR they will amount to 13.8 percent of the value of commodity deliveries.

That is why the question of activating our exports to the Soviet Union this year is all the more important. This does not apply to coal or sulfur, because here the planned commitments are being carried out well, but it does apply to processed industrial goods, equipment, machinery, and parts. To increase our exports, in the interest of our country and the public, we should as quickly as possible avail ourselves of all available possibilities and set them in motion.

In assessing in detail the course of deliveries during the first quarter, ministers T. Nestorowicz and N. Patolichev stated that the Soviet Union

had met its commitments in keeping with the provisions that had been made. For the items most important to our economy, like natural gas, crude oil, fuel oils, apatites, potassium salts, cotton, and other raw materials, the deliveries were made in advance of contract deadlines. This year the Soviet Union has already made good on 20 percent of the year's delivery commitments.

The ministers also discussed the matter of contracting for additional raw materials deliveries to permit fuller use of our industry's manufacturing capacity.

During the course of the session of the CEMA foreign trade commission, the Polish delegation headed by Minister Nestorowicz also held talks with other CEMA partners on the subject of additional raw materials purchases for the needs of our economy.

Deliveries of Other Needed Equipment, Spare Parts

Warsaw RZECZPOSPOLITA in Polish No 63, 27 Mar 82 p1

[Article: "Earlier Deliveries From the USSR"]

[Text] As the result of recent agreements between the trade ministry and Soviet suppliers, deliveries from the USSR set for this year will be accelerated for equipment sought after in our country: color television sets, washing machines, and refrigerators. During the first half of the year, 75 percent of the goods promised Poland this year will make their way onto the Polish market.

Shipments of spare parts for equipment already imported earlier will also be accelerated. Substantial quantities of subassemblies and replacement elements and components should arrive from the USSR by the end of May.

New Methods of Cooperation

Warsaw RZECZPOSPOLITA in Polish No 64, 29 Mar 82 p6

[Article by Janusz Karkoszka: "Opportunity for the Polish Economy -- Cooperation With the USSR"]

[Text] There are many elements upon whose resolution depends the rate at which our economy comes out of the crisis. They are to be found both inside our country and outside of it. International economic cooperation belongs to the latter category.

Possibilities in this area are generally known. Trade with the West has been restricted. We are doing a deep about-face in the direction of the CEMA countries, as expressed in the resolution of the Ninth PZPR Extraordinary Congress. The sanctions imposed by the Reagan administration and some of the governments of the capitalist countries only accelerated this process.

Cooperation in All Areas

Close cooperation with all CEMA member countries will therefore be one of the most important levers for getting the Polish economy out of the crisis. Here cooperation with the most powerful member country of this group, our greatest trade partner for years, the Soviet Union, will occupy a special place.

Today the economic assistance which the Soviet Union is extending to us is of vital significance in overcoming the crisis, and in the long run also in revitalizing our economy.

This assistance basically stems from the nature of Polish-Soviet political relations, which are based on a community of goals and on internationalist and brotherly ties linking our nations. It also follows from the fact that like us the USSR is interested in the existence of a strong, socialist Poland, because a Poland upon which it can depend lies within the interests of the Soviet Union. Both of these elements were emphasized in the course of the addresses given during the recent visit to Moscow by the Polish party-state delegation headed by Gen Wojciech Jaruzelski.

The USSR is part of the front group of economically most powerful nations in the world, and the tremendous natural resources, and economic and scientific potential which it is ready to make available to us through cooperation show that cooperation in practically all spheres will produce important measurable effects.

Absorptive Market

Not without significance to the development of mutually beneficial cooperation, as foreign trade representatives are best aware, is the common border criss-crossed by an adequate number of transportation routes, a large, absorptive sales market, and a resistance to world economic crises unknown in other countries.

These trump cards have been dealt to us by history and geography. Are we making proper use of them?

The answer to this question is not entirely clear. The decided majority of the benefits come from the possibility of obtaining supplies from the USSR, in exchange for manufactured industrial items, which comprise about 80 percent of total Polish exports to the Soviet Union, supplies of basic raw materials from the Soviet Union for our industry, like crude oil, iron ores, natural gas, apatite, ammonia, aluminum, and others.

Owing to the price system in effect within CEMA, in the years 1976-1980 raw materials and fuel imports from the USSR cost us about 22.5 billion foreign exchange zlotys less than they would have if we had made similar purchases on other markets at world prices.

Participation in Investments

Participation in industrial investments undertaken on the territory of the Soviet Union is a qualitatively new method by which we can supply ourselves with essential raw materials. In exchange for the materials, technology, and building crews we have assured ourselves of the following additional deliveries (beyond the trade agreements): 2.8 billion cubic meters of natural gas, 40,000 tons of cellulose, 50,000 tons of asbestos, and about 2.5 million tons of ores and other raw materials. Further long-term agreements extending even to the year 2000 are in preparation.

The economic potential as well as the size of the Soviet market make the orders for certain of our products very great. This fact means longer series and lower production costs. The scale of orders also makes it profitable to use the newest technology, to introduce modernization, and to conduct research. As the producer continually becomes more modern, in time he becomes a valuable sought-after economic partner for other countries.

We Have Entered Onto World Markets

Largely because of Soviet orders we have entered world markets with our ships, sugar refineries, sulfuric acid factories, and rolling stock. At the present time similar possibilities can be opened up for the products of our electronics, electrical-engineering, and engineering industries and many items of general use.

The possibilities of our cooperation with the Soviet Union have not been exhausted yet however. Specialists estimate that our exports to the Soviet Union could nearly be doubled. Unfortunately we have produced and do produce too few high-quality products to compete with similar products offered by both firms of socialist countries and by those of capitalist countries.

Increase in Trade Exchange

Warsaw RZECZPOSPOLITA in Polish No 80, 17-18 Apr 82 p7

[Article: "Rise in Soviet-Polish Trade -- Commentary of Novosti Soviet Press Agency"]

[Text] Novosti Soviet Press Agency has passed on to the PAP a commentary discussing the various forms of economic assistance and support which the Soviet Union and other countries of the socialist community are extending to Poland, aid which is particularly important for our country in the face of the sanctions and restrictions which the United States and other Western countries have introduced.

The agency mentions that this January the foreign trade enterprises of both countries signed contracts to deliver to Poland Soviet fuels and

raw materials totalling 2.9 billion rubles, which represents more than 80 percent of the commitments for deliveries of this group of commodities this year. The contracting of Soviet food items exceeded 70 percent of annual commitments.

In keeping with the protocol on commodity and money turnovers between the USSR and Poland in 1982, according to the commentary, Soviet-Polish turnovers are to reach a value of 8.4 billion rubles, and imports from Poland, 3.6 billion rubles. Because this year Soviet exports will exceed the value of imports from Poland, the Soviet government has taken the Polish national economy's difficult situation into account and agreed to grant credit on easy terms, in order to make up for the difference in value in the deliveries of commodities back and forth.

During the first quarter of this year Soviet exports to Poland were carried out precisely as written and often even preceded the deadlines by a wide margin. The delivery standards for Soviet crude oil, natural gas, cotton, and other items essential to the Polish national economy for Poland were met in their entirety.

This year Poland is receiving additional amounts of raw materials, items, and other materials. The list includes cotton, leather, wool, bulk plastic, artificial fibers, aluminum oxide, synthetic rubber, and viscose cellulose. The export of these articles from the Soviet Union will make it possible to provide work for hundreds of Polish factories of tens of thousands of people. Also under review presently are possibilities for making better use of Poland's production potential in keeping with agreements, and here too the Soviet Union is taking part.

The visit which the Polish party-state delegation made to the USSR this March greatly facilitated the further expansion of Soviet-Polish cooperation.

During a dinner given in honor of the Polish delegation at the Kremlin, Comrade Leonid Brezhnev said that after the present complicated day there would dawn a better tomorrow and that they would help and had helped socialist Poland in every possible way. He said that these were not mere words, because there was no doubt that the plans they had set down for economic cooperation would be beneficial to both countries and that they include both the management of raw material resources and the development of the most important branches of industry. He also said that there were many possibilities for expanding relations in the area of agriculture.

In 1981 the Soviet Union accounted for 35 percent of Polish imports and 32 percent of exports. It again confirmed the undeniable truth that the relations between socialist countries are based on the principles of equality and mutual assistance.

On the other hand, the basis of the current policy of the U.S. administration with regard to Poland is an open dictate. In a very open manner

Secretary of State Alexander Haig described the essence of American policy and its goals, saying that for them it was very important to maintain the incentives at their disposal to further that development of events within Poland which would correspond to those values and ideals for which they are striving.

In the name of the "noble ideals" given, the U.S. president is waging a policy of economic boycott against Poland. There are no more sales of American food to Poland. The implementation of agreements made earlier has been held up. Besides this Washington has started putting pressure on the Western European countries to force them to anti-Polish and anti-Soviet activity.

Nevertheless, even today it is clear that many countries, as events show, do not want to see "a continuation of military competition" in their relations with the Soviet Union and Poland, for the ease of the United States.

Life has shown that the discriminatory moves which the Reagan administration has tried to wage against the Soviet Union and Poland have boomeranged in the United States. As the result of the sanctions, many of the American items on foreign markets have been replaced by their competitors, much to the detriment of U.S. firms.

The prohibition against exporting to the Soviet Union will cost General Electric 175 million dollars and Caterpillar Tractor 80 million. In one of the Caterpillar plants producing machinery for laying gas pipelines, as the result of the embargo, unemployment has now reached at least 2,000 people. Many thousands of blue- and white-collar workers employed in International Harvester plants are in a similar situation, victims of the discriminatory action of the U.S. administration. Soviet contracts of various sort provided work for at least 300,000 American workers.

American blue- and white-collar employees, company owners, and the U.S. economy as a whole are all victims of President Reagan's economic sanctions imposed against the Soviet Union and Poland.

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BETTER MANAGEMENT OF PAID SERVICES URGED

Prague HOSPODARSKE NOVINY in Czech 14 May 82 pp 1, 4

[Article by Professor Antonin Cervinka, CSc, Charles University School of Law, Prague, and Engr Jaroslav Matousek, CSc, deputy chairman of the CSR Planning Commission: "Principles for More Effective Management of Paid Services"]

[Text] One of the requirements set by the 16th Congress of the CPCZ is a significant improvement in the quality of paid services and their expansion. As has been repeatedly emphasized, this is an important area of satisfying the populations' needs, through the effective demand. This effective demand should be matched by a sufficiently flexible, efficient and prompt supply accessible to the citizens. The total amount that citizens spend annually on paid services is by no means small--50 billion korunas. The demand is thus great, and it certainly would considerably increase further if the supply were more abundant.

At the same time on the supply side we have over 1000 socialist enterprises with 58,000 outlets, employing nearly 700,000 persons. This is by no means insignificant since it amounts to nearly 10 percent of the population of work age. At first glance it would thus seem that supply can and should fully cover the demand.

In spite of this, however, we are receiving numerous justifiable complaints--from citizens as well as from representatives of the various elected bodies--regarding the level, availability and quality of services. The debate on services that took place in recent months on the pages of HOSPODARSKE NOVINY likewise revealed a series of shortcomings in the area of paid services for the population. The critical comments focused particularly on certain types of services.

Complaints Often to No Avail

As was pointed out in the Central Committee Presidium's report at the 6th session of the CPCZ Central Committee, serious shortages persist particularly in the repair, maintenance and remodeling of apartments and the housing stock. This involves installation work, roofing, heating, masonry and carpentry work. The situation remains critical in repairing shoes, leather accessories and chimneys. In some regions services are not provided promptly, elsewhere some services are not being provided at all (for example, the towing and junking of privately owned motor vehicles). In public catering the shortcomings persist regarding the quality of the food, the level of service, hygiene, and civilized environment. There is undesirable curtailment of business hours on days of rest and during vacations. Restaurant service is poor at recreational centers and areas visited by tourists.

From the viewpoint of the economy's capabilities, there are no objective reasons for the mentioned shortcomings. Our socialist economy has sufficient resources to ensure that the effective demand for paid services is properly supplied. Then what are the causes of the unsatisfactory situation up to now?

The enterprises that provide paid services for the population, especially services of a handicraft nature, jointly constitute a specific area of the economy. By the nature of their work they differ in many respects from the work of the centrally managed enterprises, and therefore also the mechanism of their economic activity must be adapted to these specifics.

Many services are associated with a large proportion of labor value added within the total value of the services provided. It is not by accident that many services are provided by artisans. Although an artisan can pursue his trade with better and more efficient tools, but it still remains a handicraft activity, with a large proportion of craftsmanship and experience in repairing or maintaining articles that mostly are privately owned and tied to a given locality. Therefore excessive centralization of services and their concentration into large units, parallel with the closing of scattered small service outlets, must necessarily lead to more handling, administration and transportation, to moving services away from the localities where the citizens are living, to a longer trip for citizens in search of services, and to other inconveniences that far outweigh certain advantages of centralization which, incidentally, can also be achieved in other ways.

Competitiveness Can Only Be Beneficial

Most services are not exposed to the comparative pressure of the world economy, as is the large-scale production of goods within the centrally managed economy. A proportion of the produced goods is exported, other goods are imported, and this naturally leads to a comparison of the produced goods' quality and effectiveness. Since services are neither exported nor imported, monopolistic tendencies in services often produce stagnation in the quality and effectiveness of the provided services.

Therefore it is desirable, particularly in services of a handicraft nature, to allow various social organizations and individual citizens to offer services, and to compete among themselves in the quality of their craftsmanship. For whom would such competitiveness be harmful? It will be objectionable to services that are inferior and slow, and hence also expensive. It will be beneficial to all those who provide good services and therefore will earn commensurately high incomes. And what is the most important, it will be beneficial to the citizens, and this is of great social and political interest to the Communist Party.

Failure to take the specific economics of services into account, and the application of the same system of planning and financing to services as to centrally managed production have resulted, among other things, in that many service enterprises managed by national committees and many production cooperatives have deviated from their mission--i.e., from providing services for the population--and have excessively expanded cooperation with centrally managed industry. An analysis of the total output volume shows that the proportion of proceeds from the sale of paid services to the population is only 12 percent at local industrial enterprises, 30 percent at enterprises providing municipal services, 15 percent in production cooperatives, and merely 0.3 percent in local construction. This is truly too little, and it is time to

change these proportions, because socialist organizations are and will remain the most important form of supplying the citizens' demand for services, despite the various supplementary forms of including individuals in providing services. If the socialist organizations are to fulfill their role, the present system of planning and management must be changed for the service enterprises.

This is nothing exceptional. The party and state leadership prepared, and the 16th CPCZ Congress approved, the Set of Measures for Improving the Planned Management System, which is being implemented gradually and in a differentiated manner in the various branches of our economy. It was implemented first in industry, this year it is being implemented in agriculture, and now the Principles for the More Effective and More Flexible Management of Paid Services has been approved.

To Simplify the Entire System

As CPCZ Central Committee Secretary Jindrich Polednik noted at the 6th session of the Central Committee, the essence of the CPCZ Central Committee Presidium's resolution, and of the measures adopted by the governments, is to simplify the entire system of planning and management, the financial, credit and tax instruments, to create the conditions for the more flexible management of services, and to employ stronger incentives for the expansion of services and for cutting costs, including administrative costs.

The concept of the Principles starts out from the need to preserve a simple but nonetheless essential link between the area of services and the statewide and republic reproduction processes. Even though the indirect instruments of management that are related to the use of commodity-money relations will be strengthened considerably, planning and the instruments associated with it will remain the principal tool for the management of socialist organizations that provide services. On the other hand the implementation of the Principles should create sufficient room for the entrepreneurial activity of the enterprises and businesses that provide services so that the local conditions and needs in paid services can be taken fully into account, with a minimal administrative burden.

The operation of the enterprises managed by the national committees and of the co-operatives will be based on the full application of enterprise cost accounting and internal cost accounting. Which means that the activity of the enterprise management and of its staff will be evaluated objectively, on the basis of how they have been able to organize suitable working conditions for those who directly provide services, and that the remuneration of the collectives in the service outlets will depend on the quantity, quality and promptness of the provided paid services. The Principles assume that the unnecessary administrative links in management will be abolished in the enterprises' economic sphere, if they do not earn their keep through activity that is beneficial to society. The principle of complete cost accounting will gradually apply to all the links in management within the enterprises' economic sphere. The purpose of complete internal cost accounting at the service outlets is to install simple systems of economic incentives and financial responsibility for the working collectives of the service outlets; these systems will not require much administration and will link bonuses, as a proportion of wages, to the quantity and quality of the provided paid services.

In this way the amount of remuneration for the collectives and individuals at the services outlets will be tied to the volume and quality of the paid services.

Moreover, if there are differences in the volume and quality of paid services between individual enterprises and outlets, also the wages and bonuses for their workers will differ. Henceforth nobody will set a wage ceiling in the area of services, but at the same time nobody will offer guaranteed—even if low—wages without the corresponding quantity and quality of provided paid services.

This is logical, incontrovertible and in accord with the essence of socialist economic relations and of the new economic mechanism. But simultaneously this is a harsh logic and not easy to implement. Consistent realization of the Principles particularly in this sector sometimes encounters incomprehension and also creates conflicts because it affects the accustomed duties and jobs of some officials.

Adjusted Output as Criterion

Decisive for service enterprises is the question of whether a criterional indicator or a plan indicator will be used. For this will determine on what basis the fulfillment of the planned tasks will be evaluated and how much of the income after deducting the cost of materials will be available for bonuses and the modernization of the enterprise. From the very beginning of the work on drafting the Principles, it was evident that—in accordance with the Set of Measures—the criterional indicator of net output should apply.

Gross output indicators include the cost of materials and in practice lead to the squandering of materials and spare parts. The larger and more expensive is the part replaced, the easier it is to fulfill the gross output indicator. The need for utmost economy in the use of materials and spare parts led to the choice of a criterional indicator of the net output type. As we very well know, adjusted value added is the indicator chosen for centrally managed industry. The feasibility was investigated of using this indicator also in the area of services. It comprises scores of cost items and does not appear to be sufficiently functional and expedient for the area of services. Therefore another indicator of the net output type was chosen, namely the indicator of adjusted net output, because it is simple, comprises only two cost items and—the main reason—can be applied easily to the internal cost accounting of the service outlets.

The indicator of adjusted output permits a detailed breakdown of enterprise cost accounting even by service outlets, and it enables the manager of the service outlet to calculate his plan fulfillment at any time. Because the new system of planning and management for service enterprises starts out from the principle of including as many workers as possible in the output of own services organized specifically by service outlets, and of linking their bonuses to their contributions toward fulfilling the indicator of adjusted output, after many analyses and in accordance with the views of the enterprise and service-outlet workers themselves, this indicator of adjusted output was chosen and approved.

To achieve a more suitable ratio between the work of the service enterprises by which they supply the population's demand for services on the one hand, and cooperation with centrally managed industry on the other, the previous indicator of work and services—it included both activities and concealed their ratio—is being replaced by a new indicator: services for the population (adjusted) provided directly or through other facilities whose costs are covered from social expenditure funds (such as the health-care and welfare facilities, etc.).

Financial and credit policy will give preference to services for the population, over cooperation with centrally managed industry.

In these and other ways, services for the population will gradually be expanded, excessive cooperation with centrally managed industry will be curtailed, and a sounder ratio of the two will develop that better meets the needs of the population and of society.

More Flexible Approach to Prices

Prices of course are an important part of the new economic mechanism chosen for the management of the socialist economy. It is essential to implement a more flexible price policy in services so that prices can cover the objectively necessary costs and provide a fair rate of profit, between 10 and 15 percent. Attainment of this necessary profitability presupposes first of all greater economy, a reduction of the excessive overhead including administration costs, the use of modern equipment, and more efficient work organization.

Simultaneously this requires--parallel with maintaining price uniformity--the setting of only obligatory price ceilings, which the kraj national committees will be permitted to reduce in accordance with the individual conditions. On the other hand, however, it will be necessary to distinguish the prices of basic services from the prices of extra services, such as home delivery of furniture, special packaging, etc.

An important prerequisite for improving the efficiency of service enterprises is to modernize their production equipment and to ensure for them an adequate supply of the necessary materials and spare parts. To ensure maintenance, repair, modernization, reconstruction, and the purchase of new machinery and equipment or of machinery and equipment that have become obsolescent in large-scale production, a repairs and modernization fund is being introduced. This fund will be used to finance low-cost and quickly recoverable investments that do not require central allocation of construction capacities and can be completed within a year at most.

In dealing with supplier organizations it is recommended to make full use of the designated coordinator system that was approved earlier but has not been fully implemented so far. It is also recommended to change the conditions for the supply of spare parts so that the agreed volume and assortment will be based on the objective needs of the service enterprises and service outlets, rather than on parameters specified by the manufacturers of durable consumer goods. And since it will no longer be in the interest of the enterprises to fulfill the planned indicator of gross output, instead of the indicator of adjusted output, the objectivity of the service enterprises' requirements for spare parts will be guaranteed. Simultaneously the service enterprises will have an economic incentive to salvage spare parts and to rebuild them.

Service enterprises will be able to buy directly from the manufacturing enterprises seconds and discontinued materials from export production, for their own custom orders. In the same way, they will be able to buy also other suitable materials directly from the manufacturing enterprises. The public catering enterprises will be allowed to buy products directly from members of special-interest producer and supplier unions. The service and the public catering enterprises will be able to

increase their purchases from the retail network if the supply and demand situation of the domestic market permits this. The service enterprises will gradually develop their own supply base, in accordance with local conditions.

Supplementary Forms of Services

Supplementary forms of providing services will be used much more widely in the sector of paid services for the population. The concept of these supplementary forms is twofold. On the one hand the national committees will set up small service outlets on their territories, and small cooperatives will be formed within the framework of our cooperative system for certain types of work, with simple recordkeeping of the work and proceeds, and without a costly administrative apparatus. Furthermore, the industrial, construction and agricultural enterprises, and possibly also other organizations belonging to the National Front, will be able to provide certain types of work and services for the population. It is recommended to use more widely the present form of so-called special participation, and to reintroduce the form of leasing businesses. Essentially this involves a worker who works for his own account in the name of a socialist enterprise, to which the worker remits a certain proportion of his proceeds from sales.

Simultaneously also the forms of part-time employment will be encouraged. This will involve the part-time employment of citizens by the local production and service enterprises, to provide minor services and repairs, and for other specified activities. Homework by citizens likewise can be utilized on a wider scale.

On the other hand there will be individual entrepreneurship in services. We wish to emphasize that this is individual entrepreneurship and not private or private-capitalist entrepreneurship. This is entrepreneurship that excludes outside hired labor and utilizes personal ownership by citizens to provide paid services for the population. Licenses for such activities will be issued by the appropriate national committees, to citizens who will provide on a part-time basis paid services for the population according to an approved price schedule; furthermore, to retired persons, and in certain specified cases also to citizens who will be providing services as their principal occupation.

Thus the necessary conditions will be created enabling anyone to provide services who wishes to do so in an orderly manner, and he may obtain a license for such activity from his national committee. But unlicensed entrepreneurship, or entrepreneurship that violates the set conditions, will be dealt with strictly.

It follows from the 6th session of the CPCZ Central Committee that the authority of the national committees at every level is being broadened to coordinate and manage all forms of enterprises and individual entrepreneurship in paid services. Especially the authority of the municipal national committees and of the national committees in communities that are [economic] district centers will be broader. These national committees will have the function of coordinating the entire system of services based on state, cooperative or personal ownership, or on ownership by social organizations. The organization and territory of the service enterprises and service outlets will be adapted to the local and territorial conditions, taking fully into account both the satisfaction of the customers' needs and the optimal utilization of capacity. Decentralization will proceed in cases where the centralization of organizations has not produced the desired effect and has led to a worsening of services.

Room for Entrepreneurship

At the service enterprises, administration and reporting will be simplified considerably. All monthly statistical and accounting reports, if they are merely summaries and are not essential to management within the organizations, will be abolished. Only selected data on the fulfillment of the service enterprises' significantly simplified indicators and tasks will be monitored quarterly. Other essential data will be reported semiannually or annually, possibly in ad hoc reports, but will not be more detailed than necessary. Obviously the specific economics of services must be reflected also in recordkeeping and reporting, and the same system should not apply to services as to centrally managed organizations in large-scale production. In order to curtail administration, it will be necessary to review also the area of special regulations.

All these and other measures will not be able to dispense with significant perfection of the work of the central state organs, including both the branch and the cross-sectional central organs. Great demands will be placed especially on the interior ministries of the two national republics. The Central Committee Presidium's report at the 6th session of the CPCZ Central Committee states that the work of the republic interior ministries must be improved substantially. In the interest of the national committees' more effective management by the governments it must be recognized that the governments' work must center on care for the work of the national committees, local economy, services and housing administration; on legislation and the streamlining of public administration; and on consistent coordination of the implementing regulations for the national committees. As CPCZ Central Committee Secretary Jindrich Polednik noted, the statutes and rules of organization, the organizational arrangement of departments and sections, the allocation of cadres, and the methods and style of the ministries' work must be adapted accordingly. It is essential that the republic interior ministries concentrate entirely on securing the resolutions that their governments adopted for implementing the conclusions of the Party Central Committee.

The basic premise of the Principles for the More Effective and More Flexible Management of Paid Services is that substantially better results can be achieved with the available resources, if sufficient room is created for the aggressive and, from socialism's point of view, beneficial entrepreneurial activity of the enterprises, outlets and individuals providing paid services, and if also the central state organs that administer the local economy and services improve their work. The existing reserves are by no means insignificant. They can be uncovered and utilized through the more efficient operation of the enterprises, service outlets and individuals, and also through the better policy-making and economy-organizing work of the national committees and central organs. Transformation of the system for planning and managing services requires that this process be managed centrally, in order to prevent its random course or slowdown.

SHORTCOMINGS, RESULTS OF ECONOMIC PERFORMANCE SINCE 1978

Budapest FIGYELO in Hungarian 26 May 82 p 3

[Article by Mrs Dr Ferenc Nyitrai: "Economic Processes 1978-1981]

[Text] The December 1978 "track modification" resolution of the MSZMP Central Committee modified the growth trend and decided economic political priorities on the basis of the experiences of the 1970's. It is worth reviewing what we have achieved in the past 3 years, to what extent we moved ahead on the course of track correction, where we can, or must, accelerate our speed, and where there is reason to alter direction.

The track modification resolution recognized that we must adjust the growth rate to our possibilities and that the rate must be subordinated to two of the most important goals: stabilization of the general level of living standards and the improvement of the equilibrium--including primarily the foreign market equilibrium--which has already proved correct and has brought significant results. It can be attributed to this that the second world market price explosion found the Hungarian economy prepared, and that its effects were solved by economic management and organizational activity in such a way that it did not cause significant shocks.

During the same period, the shock effects in most of the developed capitalist countries were perhaps stronger, or at least as great, as they were in the first half of the 1970's.

Economic Equilibrium

The level of the gross domestic product in Hungary continued to rise although at an unquestionably slower rate. The new price and regulator system as adjusted to the tasks of track correction was introduced in 1980 and had its first full year of operation in 1981 when the GDP increased by 2.5 percent as compared to the previous year.

By the year following the 1978 Central Committee resolution we were prepared to "welcome" the changed conditions with the strengthening of the normative nature of the regulator system and by introducing a new price mechanism better adjusted to the new foreign market conditions. Naturally, their effects were felt in the first year only to a small extent, but much more firmly in the

following year. We were able to experience the most important improvement in the development of the foreign trade balance. Between 1979 and 1981 the deficit in the foreign trade balance was reduced to one-half of what it was between 1976 and 1978. The improvement came to a significant extent from the favorable development of nonruble account export-import.

This was primarily the result of the reduction of domestic consumption which was useful for countering the unfavorable--for us--changes in the direction and extent of changes in foreign market prices in 1979. In the following years, however, there were already some changes in the trend: in 1980 the average level of foreign trade prices developed favorably, and no small role was played in this by the active rate of exchange policy. In 1981, the development of domestic consumption and the change in foreign trade prices worsened our equilibrium situation somewhat.

We achieved results in import management. Between 1979 and 1980 the volume of imports for production remained essentially at the same level despite a minor growth in production. In 1981, the 2 percent increase in the growth of national income was accompanied by a decline in imports per unit of production. We must take care to note, however, that the import structure was modified, including an increase particularly from the developed capitalist countries, in the consumption of semifinished products and spare parts, indicating that a significant portion of the exportable finished products required the use of considerable imports.

Investments

In investment activity we did not succeed everywhere in realizing economic, rational management. In the sphere of state decisions, this management was effective. But in some enterprises a more important degree of investment spirit was perceptible even in areas where this was not justified by the present level of export capability. A role was played in this by the fact that given the new prices the income producing capability of enterprises was greater than we had planned and conceived in shaping the price mechanism. This greater than expected profitability expanded development sources.

Quite a few enterprises also initiated investments with a favorable effect on the structure of the economy, partly from foreign resources and partly from credits. This was favored by the convertible export-expanding credit program (which was also paired with the convertible import-replacement program) as well as by the credit program for energy rationalization goals. Enterprise investments were joined to these government programs and to several special government programs primarily in order to expand the ratio of production and competitive export.

It is not an unfavorable phenomenon that the volume of investments in the enterprise sphere grew more rapidly than in the state decision sphere. State means were and are available for restraining excessive investment spirit (one such means was the interest-level increase employed in January 1982 with retrogressive effect).

In the composition of the investments, however, unfavorable phenomena are in evidence. While at the end of the 1970's 45 to 46 percent of the investments by socialist organs was in construction, and a similar ratio was represented by machine investments, the ratio of construction investments in 1980 to 1981 increased by 48 to 49 percent and machine investments represented a value of about 41 percent. Thus the ratio of reconstruction type investments declined. (The composition change was influenced to a large extent by the fact that at the end of the 1970's and at the beginning of the 1980's important infra-structural investments were started which had a greater construction requirement than the average.)

It is also an unfavorable phenomenon that in 1981 the volume of facilities put into operation declined, and to a greater extent than the investment and financial disbursements. Therefore, the stock of unfinished investments increased once more, and this time by 3 percent. Between 1979 and 1980 the number of investments underway declined, more investments were completed than were started, but in 1981 the number of starts increased once more.

The combined volume of investments decreased by about 10 percent in 3 years. As a result, the ratio of investments in gross domestic production (GDP) declined from 34.8 percent in 1978 to 27 percent in 1981.

The stock of means used in production also grew at a slower rate than in the previous period. While between 1976 and 1978 the volume of means used in production increased annually on an average of 4.1 percent, this increase came to only 4.1 percent between 1979 and 1981, and within this period there was a declining trend (from 5 to 4 to 3 percent for the individual years).

The exports of the agriculture and food industry complex increased more rapidly than average in the past 3 years as compared with exports of industrial products, and this had an effect on the development of the foreign market equilibrium. For example, the export of machine industry products increased to a smaller extent than called for in the plan. But even then, a greater share of industrial sales in 1979 to 1981 was for export than previously. In 3 years the volume of foreign trade sales for industry (excluding the food industry) increased by 8.6 percent.

The level of domestic consumption has declined by 7 percent since 1979. This included a minor increase in consumption by the population and a significant, almost 12 percent increase in public affairs material consumption in the past 3 years.

Given the above-mentioned investments, inventories declined in 3 years, a larger role in which was played by the change in the year 1979 (it must be taken into account that in 1978 inventories increased to an extent exceeding any previous time).

Table. Development of Added Value (GDP) and Investments

<u>Year</u>	<u>Added value</u> <u>volume, previous year = 100</u>	<u>Investment</u>	<u>Investment in percentage</u> <u>of the GDP</u> <u>(at current prices)</u>
1977	107.6	113.0	34.6
1978	104.4	105.0	34.8
1979	102.7	101.0	33.1
1980	100.2	94.2	29.6
1981	102.5	93.9	27.0

Foreign Trade

Among the notable factors which helped improve the equilibrium were all those things which we did in foreign trade and particularly in export. The last time Hungarian foreign trade had achieved a favorable balance was in 1973, and after that the deficit increased extremely rapidly. The 1978 import surplus was equal in value to more than 11 percent of the national income.

In 1979 the import surplus was equal to 4.2 percent of the national income, in 1980 to 2.7 percent, and in 1981 to only 1.6 percent. Although we could not afford to rest satisfied even with these results for the goal was to turn the process around and to achieve a favorable balance, the direction of the change was appropriate and its rate was also favorable.

But in order for us to achieve the equilibrium situation set in the track modification, we will have to increase exports, and particularly nonruble account exports more rapidly. The change that has occurred in this area since 1979 is significant but not enough. In 1979, nonruble account exports jumped to an outstanding extent of 15.6 percent. But in 1980 the increase came all in all to 2.1 percent (of course, this was not small in comparison to the higher base), and in 1981 we also failed to reach the planned level, and non-ruble account exports increased by 1.7 percent.

Initiatives to expand nonruble account exports were successful. Formerly, the exports in this trade relation were excessively concentrated, primarily to the developed capitalist countries and especially to the FRG. In recent years we have succeeded in building up and expanding our relations with a number of developing countries. In this field our reserves are significant, for the import capability of the developing countries is increasing, and the opportunities exist for the export of complete factory facilities, and in addition to the specialized training that goes with this it is also favorable for us in the development of a qualified work-intensive export structure. For this, of course, we need to know well the special requirements of the markets.

In 1981, the terms of trade for nonruble relations improved, principally in reaction to an active rate of exchange policy. The terms of trade in the ruble relation deteriorated significantly in 1981 by 9 percent. This was partly a consequence of the fact that because of the CEMA price formation

methods the raw material price increases--in a delayed manner, to be sure--began to appear strongly this year. It can be expected that this trend will be felt also in 1982 and 1983 depending on the extent and direction of world market price changes in 1982.

It is worth noting a number of characteristics of our foreign trade structure, for this is where we need the most rapid change if we want the improvement in the equilibrium to be built on a permanent export expansion. At present, about one-third of the nonruble account export consists of materials, semi-finished goods, and spare parts; another one-third consists of food industry materials, live animals and food; in both groups there is a significant ratio of products at a low level of processing and including a relatively small amount of Hungarian work. Although there is progress within the groups--for example, among the food industry materials and live animals, processed products are steadily increasing--among materials, semifinished products and spare parts, it is spare parts that represent an increasingly greater share. However, there is scarcely any perceptible change in the export of machinery, transportation means, and other investment goods. All in all, machinery, transportation means and other investment goods made up 12 percent of our 1981 nonruble account export; and consumer industrial items made up 14.6 percent.

Our nonruble account machine exports developed somewhat in 1981. This is indicated by the 10.6 percent growth. However, the export of our consumer industrial items declined a little. There was a decline in the export of clothing items which was countered to an extent, but not fully, by a significant increase in pharmaceutical exports. Within machine exports there was an increase in the export of complete manufacturing facilities and this amounted to 1.1 billion forints more in 1981 than in 1980.

The new price system introduced in 1980 significantly improved the economy of industrial exports. In 1981, 40 percent of the full marketing by socialist industry was done by enterprises using competitive price formation, 31 percent by those using the so-called price-ratio formation, and 29 percent by those using prime-cost type price formation. The profitability of enterprises using competitive price formation was higher in 1981 both in domestic and foreign sales than in 1980, which was achieved because meanwhile the non-normative incentive to capitalist export decreased. The foreign trade price work of enterprises developed perceptibly, particularly for those using competitive price formation; the cooperation of industrial and foreign trade enterprises improved; and the possibility of choosing among foreign trade enterprises has also brought initial results. The expansion of the independent export right (and the responsibility accompanying it) also had a favorable effect on the development of profitability, but we still have many reserves in this area.

The 3 years that have passed since the track modification has undoubtedly brought results, and among these we should not underestimate the effect of factors improving the equilibrium. But we must also state that the development in production is slow, that our greatest reserves are in the transformation of the product structure, and it appears we must intensify our efforts

in this area if necessary through an appropriate change in the incentive system, and the strengthening and in some cases the expansion of the various credit programs in order that the favorable trends which are developing may become permanent, and it will not be merely through restrictions on domestic consumption that we achieve further results.

6691

CSO: 2500/269

PROBLEMS OF CLOSED PRODUCTION SYSTEMS, AGRO-INDUSTRIAL OUTFITS NOTED

Budapest FIGYELO in Hungarian 2 Jun 82 p 13

[Text] The IX National Agricultural and Food Industry meeting was notable for its dullness. Although the program came off on schedule, and the lectures were topical, there were only four comments, and only one of these dealt with the theme of the meeting: namely economic cooperation, especially the current problems of the production systems and the agro-industrial associations. The lack of debate and exchange of experiences is all the less comprehensible because managers of these undertakings have quite definite opinions on the subjects under discussion albeit usually expressed in private.

Although the meeting generated no debate, certain points of criticism worth reporting emerged: The farms which are members of the closed production systems are dissatisfied with the services provided, chiefly by the fact that, in many places, the technology required is not adapted to prevailing local conditions. The administration of the systems is large: as many as 600 persons are employed at some of the centers of such systems. For instance, a total of 1,500 persons worked for the food industry trusts before they were dissolved. Now two production systems employ this many persons. The fees which must be paid to production system centers are high. Frequently the interests of the system centers differ from those of member farms. Usually there are no personal reasons for this. Today the technical-technological standards of agricultural production are much more uniform than when the systems came into being. Thus it is difficult for the systems to come up with innovation beyond raising overall yields. Possibilities for material technical development are limited, partly because the farms involved lack or have limited development funds and partly because even if they have money, the constraints on foreign exchange make purchase of latest technology difficult. Yet the systems achieved their greatest success through use of new technology.

The production systems are seeking renewal under entirely changed circumstances: for instance through reorganizing the supply of parts, organizing service networks participating in distribution and sales and general strengthening of entrepreneurial endeavors. Although such efforts are commendable, they may not replace the basic tasks of the centers, namely, research and establishment of the connection between production and the latest technological results.

It appears that no single form of undertaking has provoked so much controversy and animosity as organization of the agro-industrial associations. In addition to uniting production forces and harmonizing development, Hungarian practice pays great attention to the independence of the farms and enterprises involved in cooperation. Thus these are not giant enterprises but a joint undertaking of units which retain their independence. Not only has there been no loss of economic independence for participating enterprises, but development of private plot projects and ancillary activity of members of such associations has been stimulated. Naturally not all aims of the agro-industrial associations have been realized. Differences between participating farms have persisted; no satisfactory linkage has evolved between growers and the food industry. Nevertheless, the production standards and efficiency indexes of the four Agro-Industrial Associations is not only higher than that of their neighbors but exceeds their own previous records.

Organization of additional associations is not planned. The existing ones will become open, making it possible for members to drop out or for new ones to join. The agreed upon development programs should be made more flexible; the degree of contributions to joint development sources should not be prescribed. Participants in such associations should have the right to contribute to the particular projects in which they are interested.

CSO: 2500/288

BRIEFS

LIVESTOCK CENSUS FINDINGS--In March 1982 there were 31,000 more head of horned cattle than during the same period in 1981. Increase was particularly notable among animals raised for slaughter. Although there were 4,000 fewer cows than in March 1981, milk yields are higher due to genetically superior stock. Milk increase over 1981 amounts to 6 percent or 28 million liters. The decline in the number of privately owned cows continues, but small producers are raising more animals for their cooperatives. The number of hogs increased by 4,000 head over 1981. Hog raising is especially lucrative for small producers; they have upped their stocks by over 2,000 head. The number of sows has increased by 53,000 of which 46,000 are being raised by the private sector. The herd of sheep has grown by 44,000 head since 1981. [Summary] [Budapest NEPSZAVA in Hungarian 16 Jun 82 p 11]

CSO: 2500/290

'RYNKI ZAGRANICZNE' OUTLINES ITS REPORTING POLICY

Warsaw RYNKI ZAGRANICZNE in Polish No 1, 2 Mar 82 pl

[Article by the editorial staff: "To Our Readers After the Interruption"]

[Text] Today we are once again publishing RYNKI ZAGRANICZNE after an interruption of more than 2 and a half months caused by the drastic rigors of martial law. We felt keenly the introduction of martial law, but it was recognized as essential to have a break in the growing wave of social shocks which were deepening the destruction of the economy and endangering our national existence. It is also a question of creating conditions for effectively counteracting the political and economic crisis, for implementing the reforms which the country urgently needs.

Our national economy nonetheless continues to find itself in a difficult and complicated situation. We seriously see the signs of the errors of the economic policy of the 1970's and the economic losses suffered during the post-September period, which forces us to many instances of renouncement and hampers our efforts to get out of the crisis.

This also applies in particular to those of us interested in Poland's economic ties with foreign countries. Things got to the point where our country was deeply in debt and the economy was excessively dependent on imports, where the ineffective utilization of the resources at hand did not permit the proper development of the export potential, and the shocks of the most recent period hampered a fuller utilization of the production capacity already available. This is also the reason for the unsatisfactory results of foreign trade last year, when our exports declined substantially while reduced imports did not provide for the satisfaction of many of the country's important needs (we shall soon be publishing a comprehensive analysis of these results). Our situation also became more complicated with regard to our foreign credit holders, and relations grew worse with those capitalist countries whose governments began to impose painful economic sanctions against us.

At the present time our foreign trade faces urgent tasks which are still important for the country, tasks concerning the profound rationalization of imports and the most rapid possible activation of exports based on

the deepening of economic cooperation with foreign countries, especially the socialist countries, which have been demonstrating understanding of our difficult situation and coming to us with assistance we can notice. We are attaching particularly great significance to close cooperation with the Soviet Union, our most important partner (see the neighboring article [CSO-2600/596, Item 1]).

In the execution of difficult export and import tasks, we should find helpful the economic reform which in the sphere of foreign trade too consists mainly of expanding the enterprises' independence (we are discussing this more comprehensively today in the article on page 8 [see CSO-2600/597]). More and more will depend here on the skill, initiative, and activity of the trade people and producers themselves.

And of special significance in this situation is the provision of a wide range of information and analyses portraying the economic situations of partner countries and the trends on the international commodity and money markets to the foreign trade enterprises and factories (which are interested and involved in export and import). This is just what RYNKI ZAGRANICZNE is involved in. As the only special newspaper in Poland which regularly reaches foreign trade activists, it also devotes a great deal of space to current issues concerning our export and import.

Because a broad, reliable presentation of all these subjects today is becoming so important to us, we are resuming RYNKI ZAGRANICZNE's publication knowing that we must make every effort for our newspaper to be able to fulfill its tasks better.* It is particularly a matter of adapting the subject matter of RYNKI ZAGRANICZNE more precisely to the needs of our producers and trade people.

Therefore, in writing about the most varied sorts of world economic trends, about the economies of various countries, about the production of the widest range of sectors, about the situation on the world markets of the major commodities and international trade, and about the international problems of foreign currency exchange and the like, we will give particular consideration to those aspects which have an impact on the situation in our economy and in our foreign trade, as well as to those other issues which may be useful to us for other reasons.

Alongside its informational functions, after all, our newspaper should at the same time serve educational functions, help raise the level of knowledge of people interested in the problem of world economics and foreign trade, thereby inspiring them to enter into their own reflection and more effective action in their own areas.

*The fact that the price of our newspaper is increasing also obliges us to upgrade its quality. Nonetheless, it is worth adding that even this increased price covers less than half of the costs of publishing RYNKI ZAGRANICZNE (for example, the foreign agency services to which we subscribe are very expensive); after all the State Foreign Trade Institute finances it out of resources serving informational activity on behalf of our exporters and importers.

Nonetheless, Dear Readers, in order the better to meet your needs -- because re realize the inadequacy of our efforts -- it is important for us to have closer contact with you and especially to continually become familiar with your views concerning our newspaper and with your requirements addressed to our editorial office. Therefore, we are awaiting your comments, for which we thank you in advance.

We are also waiting for your letters, statements, and articles, which we would like to see in our columns (this applies particularly to the exchange of experience between production enterprises and trade enterprises concerned with export and import). Treat us as your own newspaper, your tribunal, and think of yourselves as its joint editors.

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CSO:2600/595

NEW MECHANISM FOR HANDLING EXPORTS AND IMPORTS OUTLINED

Warsaw RYNKI ZAGRANICZNE in Polish No 1, 2 Mar 82 p8

[Article by Eugeniusz Harasim: "The Economic Reform: The New Mechanism for Guiding Export and Import"]

[Text] Along with the rest of the economy, foreign trade is currently subject to new principles of management. Although this formulation is not too precise, we can reduce the new principles to the following changes:

A significant increase in the operating independence of the foreign-trade enterprises and the production enterprises in the realm of export activity,

New principles for the distribution of foreign currency and the functioning of import,

New principles for clearing export and import deliveries.

The new decisions concerning economic instruments like supply prices, exchange rates, taxes, and so on are closely related to these changes.

More Realistic Rates of Exchange

The principles of creating prices and price levels themselves have undergone the greatest change. The new supply prices for basic raw and other materials are basically set on the level of world prices calculated at a rate of 50 zlotys on the dollar. Because of this the new supply prices could provide a more realistic though not entirely realistic representation of the price of exported and imported raw and other materials and have led to ratios between world prices and our economy. The foundation has been created for building an optimal foreign trade structure for us and for rationalizing the whole economy, because the goods which are expensive worldwide have become expensive in our country too, and the inexpensive ones, relatively inexpensive.

Under conditions of grave controversy a decision was made about the foreign-currency exchange rates currently being used in our country in clearing export and import deliveries.* The transferable ruble exchange rate in effect here for many years, set at 44.44 zlotys, was increased to 68 zlotys, while the dollar was increased from 54 zlotys to 80 zlotys. Such great increases are extremely rare, because they amount to about 50 percent.

What is implied by such a great decline in the value of the zloty? Mainly it means an increase in production costs and a decline in labor productivity throughout our economy. For this reason the supply price reform must signify a substantial rise in the prices of raw and other materials. There were similar reasons behind the several price increases on the procurement of farm products.

But the world markets do not react to a rise in our production costs. The foreign-exchange prices in effect on those markets are relatively stable and can usually increase by a few percentage points per year. Therefore the great increase in domestic prices must be accompanied by an increase in the sales prices for exports, which means a decline in the value of the zloty in terms of foreign currencies. The alternative would be to maintain the exchange rate and do away with exports.

The level of currency exchange rates also plays an exceptionally important role in the realm of imports. The target mechanism for guiding imports does not provide for the distribution of foreign currency but for the free purchase of it at the bank. On the other hand, this will not be possible until an equilibrium rate is introduced, that is, such an exchange rate which will keep our balance of payments on an even keel in the long run. Such a rate will surely not be introduced soon, but it is essential to approach it gradually. The alternative is clear: either a high rate of exchange or an administrative distribution of foreign currency, and therefore either the independence of the enterprises or centralized decisions.

Greater Independence for the Enterprises

The scope of the foreign trade enterprises' independence has expanded in several spheres of operation. First of all, we should mention planning. Back during the first wquarter of 1982 the enterprises themselves set the level of export and import targets. The Ministry of Foreign Trade did not set the targets for them. It only gave them the government targets for the first quarter by way of information. On the other hand, the initial tables in the enterprises' plans show that they are relatively close to the central plan. In our country this is a new phenomenon. Here is an illustration (in billions of negotiable zlotys):

	Exports	Imports
Central plan	182.7	193.5
Plans of the enterprises	174.1	182.5

*Viz the editorial discussion "Controversies Over the Rate of Exchange" in RYNKI ZAGRANICZNE No 143, 1 Dec 1981 (Editor)

This table reveals a new element, which was the product of the economic reform, the elimination of the foreign exchange zloty and the use of negotiable zlotys to measure foreign trade turnovers, but these figures will be difficult for the reader until he becomes accustomed to them.

Although the foreign trade enterprises formally are free to set export targets, they do not determine the sizes of that export. For the moment it is the producer who has the deciding word. He is also independent, and to an extent greater than in the past.

Unfortunately, it is difficult to talk about enterprise independence in structuring imports. Foreign-currency distribution is centralized, and despite appearances this is not the result of martial law but of a serious shortage of foreign currency which has been coming for many years.

It must be emphasized that from the very beginning of work on the reform, the rules for the functioning of import have never been clearly formulated. There were only enigmatic promises about the possibility of the enterprises' free purchase of foreign currency, but the authors of these statements never had the courage to specify how high the rate of exchange should be set to keep the demand for foreign currency from exceeding the amount in the till. Empty foreign-currency drawers seriously interfered with the vision of the reform, or the vision of the enterprises' independence, we should say.

The Question of Foreign-Currency Allowances and Concessions

One of the possible ways to provide for a certain level of independence in import decisions under these conditions has been the method of using what we call foreign-currency allowances obtained by exporting enterprises for additional imports. We do not need to discuss here the regulations on the functioning of foreign-currency allowances, which have been implemented and already made common knowledge in the press.

On the other hand it is worth emphasizing two questions. First, the foreign-currency allowances encompass only one-fifth of the whole pool of foreign currency designated for imports in 1982. The basic share of imports, mainly raw materials and foodstuffs, will continue to be carried out under the auspices of the central foreign exchange allocation. Second, the principle that foreign exchange allowances are to serve only export production is accepted with disappointment and disapproval. Despite this fact, this principle cannot be changed at the present time.

Foreign currency allowances are fundamentally only received by producers. On the other hand, the foreign trade enterprises have practically no independence in importation. They handle imports within the framework of orders stemming from:

--Foreign currency allocations for central imports (raw materials, foodstuffs),

- Allocation of foreign currency to carry out operating programs,
- Allocation of foreign currency for nonproduction purposes,
- Orders of producers which available foreign-currency allowances at their disposal.

Altered Relations Between Trade and Industry

The producers' right to gain the authority to conduct independently the export of their commodities and the import of products for their own needs within the framework of the above-mentioned mechanism for allocating foreign currency is another new element in the operation of foreign trade. The Minister of Foreign Trade grants the authority to conduct foreign trade, that is, what are called "concessions," if the producer meets certain conditions, which means that he has sufficiently great export production and appropriate personnel and technical conditions.

Another important producer privilege is the right to select the foreign trade enterprise (with approximately the same commodity specialization), with which it signs export or import contracts. For this reason, as well as in connection with the decline in turnovers, the foreign trade enterprises are becoming increasingly interested in attracting domestic contracting partners.

Among two theoretically equal partners, the producer has a far stronger position than the foreign-trade enterprise does, and this is also because the latter must compete with a deprived domestic market which is capable of absorbing just about everything and does not set qualitative or other requirements. Given the new principles of the functioning of the economy, foreign trade must therefore have at its disposal strong economic arguments to obtain a commodity for export.

Does it have them? We have already spoken of the most important one, foreign-exchange allowances. The other should follow from the system of clearing of accounts.

The regulations previously in effect imposed two sorts of conventional relations for contracts: the foreign-trade enterprise received the export commodity either on commission or on its own account, but the details of these contracts were imposed from above. At the present time the enterprises determine independently the content of the contracts they sign, but they must respect the prices in effect or the principles of setting the prices.

The generally used commission form is drastically reduced for two reasons. First, official prices or regulated prices must also be paid to the producer for export deliveries, but transaction prices can appear only as a special form of contract prices. Second, compensatory accounting in foreign trade has been located in the foreign trade enterprises.

With the current solutions it is a question of seeing that the producer receives from the exporter the same prices as from deliveries for the domestic market. Here the additional costs related to export must be taken into account either in the form of supplements to official prices or in the level of contract or regulated prices. If the foreign-exchange prices provide for high profits, then the enterprises allocate them by appropriately setting contract prices. The new general principle boils down then to the fact that foreign trade pays producers official prices or prices resulting from the costs of production, and foreign trade has assumed the difficulties related to compensatory accounting.

Functions of the Central Authorities

In the legal documents issued up to the present time, the new principles of operation of the enterprises have been formulated in a far more exhaustive way than the new functions of the central authorities. We should recall that enterprise activity, that of the production firms, foreign trade, and so on, is largely regulated today by the following new documents:

Law on the state enterprise,

Council of Ministers Resolution No 243 on the principles of operating state enterprises in 1982,

Council of Ministers Resolution No 278 on the functioning of the economy under martial law.

The problem of regulating the circulation of money in the country and of reducing the freedom to obtain credit has received a great deal of space in papers and work on the reform. It has been recognized that the Sejm must play an important role in these areas. The bank is another institution which has substantial authority in this realm. Both the central office of the bank and the banks which finance the enterprises are an important link in the regulation of the economic activity of independent enterprises.

The functions and rank of the Ministry of Foreign Trade are also increasing to a great extent, as the result of both the general assumptions of the economic reform and the principles concerning the period of martial law. For example, the Council of Ministers' Economic Committee's decision on entrusting to the foreign trade minister for the period of martial law the functions of founding body with regard to absolutely all foreign trade enterprises, regardless of their prior organizational relationship is of very considerable practical significance.

The new expanded functions of the Ministry of Foreign Trade apply in particular to the guiding of export and import. For example, let us mention the granting of authority to conduct foreign trade, the setting of foreign exchange allowance rates, the introduction of compensatory accounting in foreign trade, the access to foreign currency to carry on central imports, and the issuing of import and export permits.

The organizational structure of the Ministry of Foreign Trade has not been altered up until now, although there is an essential adaptation to the new functions. The tasks of the legal services, organization and management groups, and economic units have been clearly increasing. The functions of the commodity departments are undergoing substantial changes. For example, they are taking over the issuing of decisions concerning compensatory accounting and the issuing of import and export permits.

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It has only been possible in this article to point in passing to the more important elements implied by the economic reform in our foreign trade. An exhaustive discussion of the various individual themes should be the subject of further publications concerning both the theoretical assumptions underlying the reform and the practical experience gained from its inculcation. I think that RYNKI ZAGRANICZNE will continue in particular to take up such issues, which today are of such great interest and importance to our milieu.

10790

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REFLECTIONS ON PROMOTIONS, ADVERTISING IN FOREIGN TRADE

Warsaw HANDEL ZAGRANICZNY in Polish No 1-2 1982 pp 43-46

[Article by Włodzimierz Strzyzewski]

[Text] Does it have to be that the most serious crisis in Poland's history has to be a period of shameful silence as far as the promotion and advertising of Polish export goods is concerned? Silence and, hence, a lack of enthusiasm that might be absolved by arguing that "nobody speaks of the rope in the house of the hanged man?" But might it perhaps be not only better for business, but also more shrewd to sell pieces of the rope as "good luck" pieces?

Here is a practical example of how this works as described in the KOELNER STADTFANZEIGER for 13 October 1981 in an article on the ANUGA 81 World Food Trade Fair: "Poland surprised everybody by the fact that it was participating in the fair. We were all the more surprised when we heard how openly the Poles were talking about their problems. The press spokesman for the Polish pavilion, Włodzimierz Strzyzewski, did not try to hide the fact that Poland is suffering from internal difficulties and shortages of supplies. But he recalled the well-known truth that the loss of one's reputation on world markets costs millions of dollars if you ever want to get it back. And this is why this year Poland is shipping to the FRG 8,000 tons of geese and 6,000 tons of ducks in an effort to earn some of the foreign exchange it needs to pay for essential imported goods. And this is why--as it was explained to us--the purchase of Polish foodstuffs is another way of helping Poland to overcome its present crisis."

Why was I talking about this to people who--as one might expect--ought to know this themselves? Because before I left on my trip to Cologne I had been talking with journalists from various countries, with scholars, and also with some Norwegian students of economics. All of them remarked that by paying a visit to hunger-stricken Poland and dining in hotel restaurants they felt as they were all but taking food out of the mouths of the Polish people.... To be sure, there are good reasons for having such feelings, since the emotions are not governed by logic. But these feelings still represent a dangerous menace for us Poles. This is because Poland's dishonest competitors can play on these feelings like some piper and discourage tourist travel to Poland and trade with Poland. All they have to do is zero in on the humanitarian dictum that "one does take food out of the mouths of starving people." As long as we ourselves are aware of this, then let's tell foreign journalists and their readers that our "Orbis" travel agency knows how to count and that the prices of hotel

accommodations and food and drink are calculated so as to produce a profit for Poland. Let's tell them that it is by using these profits that we are best able to help ourselves and that, on the contrary, empty hotels built with the aid of foreign loans and idle imported mixers and grilles would mean that we would become increasingly unable to repay our debts. Janusz Szczupak from RYBEX in Szczecin told me that by selling 1 ton of cod filets we are able to use the proceeds to buy 4 tons of fresh mackerel. We bring it into Poland, smoke it, pack it in tomato sauce, and what we are in effect doing is stocking food stores with 2 tons of fresh meat instead of 1 ton. This is just how we ought to be thinking and acting. And not just during periods of crisis.

But it is true that Poland is now beset by a crisis. It wants to find a way out of this crisis and it will do so. We also need foreign exchange in order to find a way out of this crisis. So, this is no time for Poles to be gorging themselves on Vistula salmon, trout, filet cuts of wild game, to be drinking Polish meads, or eating the world's best kielbasa, ham, and those incomparable Polish geese. So, it is easy to explain to any businessman why it is we are selling grass and herb seeds, rabbit and Arabian horses, frozen strawberries and black currant juice, onions and vodka. A business firm builds itself up over a period of years. A business firm is millions of already invested dollars that are already bearing interest. Nobody kills the goose that lays the golden egg, even though he may be temporarily forced to deny himself the pleasure of the eggs which the same goose lays. Nor is anyone going to starve to death by not cooking up the golden goose into a soup good for one meal only.

So, how was I able to implant all of this into the brain cells of the members of my audience, journalists from all over the world who were covering ANUGA 81 in Cologne, the biggest food trade fair in the world's history? First of all, because I was there. Never before have I had a chance to obtain a clearer understanding of the saying about how "those who were not there are wrong" as I did by listening to the fundamentally erroneous views, views which are detrimental to Poland's economic interests, that, were it not for a rebuttal from a Polish journalist, would have been relayed to millions of readers in the articles and columns filed from the site of ANUGA 81. I was able to be there because the foreign trade enterprise POLEXPO and the Polish press agency INTERPRESS recognized the need for using a journalist to get a message across to other journalists and shared the expenses of sending a press spokesman to the Polish pavilion. Both firms viewed this as an opportunity to do something good for Poland, and to generate current and long-term gains for the country and for themselves. Secondly, because I had a reputation there based on my participation in previous trade fairs. The successes that were scored in Cologne in the area of promotion and salesmanship once again confirmed the truth of the argument which holds that advertising, in order to be effective, must be continuous, and that when it comes to promotion no form of business correspondence can take the place of direct face-to-face contacts. The director of the Cologne Exhibition and Trade Fair Association, Wolfgang K. Lange, remembered his visit, immortalized in an article entitled "Food from Poland," to the Polish pavillion at ANUGA 79, where I had invited Minister Jurgen Wischnieski (the "hero of Mogadishu") together with his wife and a host of accompanying dignitaries and where I presented his wife with a bouquet of flowers and the minister with a fine goose from ANIMEX as part of a commemorative photograph ceremony in honor of Polish export industries, and he also remembered the speech I gave at that time at a "vodka party" organized by the enterprising institutions AGROS and the Office of Commercial Counsellors in Cologne. So, when I asked him for a few minutes of his time at

the press conference which opened this year's trade fair, he simply could not refuse, and he sent along an amiable member of the Association Board to run the conference, Mr Lothar Roggenbuck. "Herr Strzyzewski," he said, "there are more than 80 countries represented here, and if I gave each of them a couple of minutes to introduce the big hits of their respective pavilions to the world press, we would be here all night. And to make Poland the only country to enjoy this unique advertising privilege would be undemocratic." That is quite true, I said, but I am the first one to apply, and, so, this is sort of my "patent." So, what can we do? "Well, maybe one of the journalists will ask if Poland is taking part in the trade fair and whether it has anything interesting to exhibit." Having my own speech in hand that was prepared in advance--in the form of replies to questions, I managed in the few minutes I had left to find a man who was willing to ask this key, promotional "open Sesame" question. And this also proved to be possible thanks to previous contacts, thanks to the good will that had been earned 2 years ago. Readers will reproach me for giving too long-winded an account of all this, but I am persuaded to do so by the practical usefulness of this experience for press spokesmen acting on behalf of all Polish expositions. Namely, the promotional effort should get under way with a main press conference sponsored by the organizers. The effectiveness of this approach is borne out not only by the loud applause that followed the speech welcoming visitors to the Polish pavilion and the congratulations of journalists from different countries who could not forgive themselves for having passed up such an opportunity themselves, not only by the numerous visitors to our pavilion and the several dozens of orders that I collected in Cologne for articles on Poland, but also by references to Polish successes in export sales markets in the paid advertising releases of other countries, such as the comment in an article on American poultry in which a correspondent of the Frankfurt ABENDPOST paid a compliment to Polish geese.

The costs of sending a press spokesman to the ANUGA trade fair were reimbursed if only by the television news brief highlighting a Polish export sales bid that was broadcast by Westdeutscher Rundfunk on 9 October as part of a report on the ANUGA fair. All things considered, this was a net gain for POLEXPO and INTER-PRESS and, when you get right down to it, these two institutions were instrumental in producing a net gain for our economy. For, as Dr Wilhelm Gieseke, general director of the Federal Association of the German Food Processing Industry, said at a "Presseschlussgespräch" that wrapped up the trade fair, "there is not much interest in purchasing goods from less well-known countries and the prices of these goods, even if they are superior to others, are lower." And this is precisely the reason why efforts aimed at promoting Polish export commodities, be they Polish mead or numerically controlled machine tools, are also achievements of Polish practitioners of the arts and sciences and successes of Polish athletes.

Another net gain was the advertising of Polish vodkas and meads is concerned was the final press conference where I was in a way finally called to account and where, thanks to the promotion-mindedness of the hardworking representatives of AGROS, Urszula Blaszkowska, Aniela Lyski, and Barbara Orlowska, and the Underberg firm, I was able not only to make a reference to the visit of the Emperor Otto III to the coronation of Boleslaw the Brave in 1025 in Gniezno, "where the very same world's best Polish mead was quaffed," and to the great

tradition of Poland's "aqua vitae," thanks to which Polish vodka enjoys a world-class premium quality rating, but also to offer rounds of these specialties for the personal inspection of the ladies and gentlemen journalists. So, it can be said that, when it comes to product promotional efforts, action is the prime mover of action--a real perpetual motion machine! Thirdly and finally, I had somewhere to play host to the managers of international advertising agencies. The POLEXPO planners, Andrzej Lesiak (an architect) and Zygmunt Zurowski (a graphic artist), created a beautiful pavilion. A pastoral idyll made of white pine and green plywood. They conjured up an oasis depicting Poland's natural beauties, a refreshing phenomenon covering 320 square meters where both guests and all of the Polish businessmen felt at home. The gardener felt as if he were in his own private greenhouse, the hunter felt as if he were in a hunting lodge in the forest, and the journalist--well, the journalist felt as if he were in some rustic inn decorated with Cepelia [a Polish handicrafts cooperative enterprise] floral woodcarvings.... "I am proud," I was able to say to international fraternity of journalists, "to be able to invite all of you, dear friends, to the Polish pavilion in conference room 5 where we are displaying agricultural products and processed foods. I am proud to do so, because this is a beautiful pavilion, the atmosphere of which is reminiscent of the style created by the world famous Polish school of poster art and--taking into account the approaching winter--very conveniently located between Brazil and South Africa. At ANUGA 81 Poland, its crisis notwithstanding, is standing firmly on two feet, because in conference room 14 we have another pavilion, the pavilion of the firm VARIMEX, which exports first-class Polish kitchen appliances for military messes and canteens, hospitals and retirement homes, for factories and schools, restaurants, and shelters." It should also be stressed that the entire Polish team--AGROS, ANIMEX, HORTEX-POLCOOP, ROLIMPEX, RYBEX, and the Polish airline LOT and the travel agency POLORBIS--pulled together to make sure that every guest left us with a smile on their face. This has nothing to do with horsd'oeuvres and drinks, of which there was less anyway than the medicinal antidotes, but rather with cordiality, sincerity toward everyone, a marvelous blend of personal pride and professionalism and good will. This is exactly how Gerhard Schmidt, a reporter for the KOELNER STADT-ANZEIGER, said goodbye to the Polish pavilion (see photo) [photo caption: Dr Gerard Schmidt, editor of the KOELNER STADT-ANZEIGER, says goodbye to the representative of the Polish airline LOT, Mrs Barbara Wroblewska. This is the right kind of advertising!]

Dieter Ebert, general director of the Trade Fair and Exhibition Association in Cologne, told the journalists covering ANUGA 81 that, "no country can afford not to be at ANUGA 81." And how. This is the world's biggest trade fair for food products and food processing technologies. This fair consisted of 205,000 square meters of exhibit space, 4,436 exhibitors from 80 countries, 144,900 fair guests from 88 countries, i.e., 5 percent more than in 1979, 69 official government-sponsored pavilions, and a record-breaking number of visits by official dignitaries, including the president of the FRG, Karl Carstens, the Federal Ministers Josef Ertl and Egon Franke, a dozen or so ministers of foreign trade, agriculture, and tourism--ranging from Christo Christov from Bulgaria to Constantinos Kittis, the minister of industry and trade of Cyprus, 11 deputy ministers secretaries of state, and 40 ambassadors. So, this was last year's ANUGA fair. While I was attending various press conferences and viewing various promotional displays I got an idea for a big and stylish campaign aimed at pro-

moting export sales of Polish alcoholic beverages. If we ran out of mead for the production of "Wawel," "Staropolski," or "Babun," it would be a good idea to look for a solution to this problem through the good offices of one of the "Polish" companies operating abroad. Most importantly, one should not wait around for merciful divine intervention, rather one should take practical action. This is exactly what the Director Stanislaw Leszkowicz did, the man who invented...the firm MERKUR. He did not have very much to work with dealing in the product lines offered by ANIMEX, and costs were rising. So, he found a solution in the form of a firm that operates in the FRG selling goods imported from third countries. At ANUGA 81 MERKUR set up its own booth in conference room 9 to introduce its powdered Indonesian soups: onion, crab, tomato (Tohun), and, a big hit on the market, "Bihunsuppe Indonesia." "With this soup alone we are making 4 million marks a year! We pay taxes, and not only are we making money for ourselves, we are also passing on some of the revenues we earn to other firms. After taxes, you can make as much money as you want here." MERKUR is a holding of the YANO firm, in which ANIMEX owns 55 percent of the shares, and as of 1 January 1982 it will have a 70-percent share in this company. They spent in excess of 4,000 marks at the ANUGA fair and set up booths covering an area of 63 square meters. In this country it costs 95 marks to rent just one chair for 6 days! But these expenses are paying off. Let us hope that "Bihun," "Sarun," "Tohun" and the other exotic names will be associated with the unique armomas of the South Seas, a culinary adventure with sultry Indonesian girls that has been magically transformed into powdered soups by MERKUR Handelsgesellschaft mbH, 8022 Gruenwald, Postfach 210 with affiliates in Bochum, Isernhagen, Nuremberg, and Schwieberdingen. Let us hope that they carve the biggest share they can out of this market! How I would have liked to run a photo of their advertising brochure on the cover of this issue, and how I would have liked, were it in my power, to present Mr Leszkowicz with the "Golden Mercury" award. Are we doing everything we can? I doubt it. The commercial counsellor in Cologne, Mr Tadeusz Piekarski, thinks that we are not getting the best deal we can by granting the Underberg firm exclusive rights to distribute Polish vodka. "Clients complain that there is no one to talk to, and there are so many firms interested in selling vodka."

Mr Oskar Schorer from the firm Inter-Planning GmbH came to the ANUGA fair with his colleague Mr Karl-Heinz Bischof "ausschliesslich wegen Agros-Warschau" [solely because of AGROS-Warsaw]. To start with they want to buy 500 12-bottle cases or 6,000 bottles of "Wawel" and "Maliniak" label mead. Unfortunately, Mr Gawronski from AGROPOL in Hamburg told them that "there isn't any 'Wawel,' and, moreover, 4 weeks have passed and there is still no answer as to how much the tariff is on Polish mead and how much these 6,000 bottles would cost 'FOB Krumbach railroad station near Munich.'" They are also interested in buying honey mead. They are buying mead from Mexico, Spain, the USSR, Hungary, China, Hong Kong, Turkey and Greece in 300 kilo barrels for an annual total of approximately 500 tons. Could somebody perhaps supply them with mead from Poland? It could be mead made from three leaves, acacia, mixed flowers, fir needles.... "When it comes to mead, finding a railroad car to ship it in is no problem," says Mr Bischof. What do the Polish bees have to say about this?

So, what is going to come of efforts to promote sales of Polish vodka and mead? I spent many long hours in the Statistisches Bundesamt in Wiesbaden in order to learn something about the structural breakdown of alcoholic beverages, including our own share, imported into the FRG. In 1980 the FRG imported all kinds of

wines, beers, wine vinegars, cognacs, whiskey, liqueurs, and other alcoholic beverages worth a total of 242 million marks. This comes to a grand total of 1 billion 461.8 million liters. Polish vodka accounted for only a very modest share of this total, i.e., 252,957 liters worth 2.4 million marks. Of course, all exporters of vodka to the FRG have experienced a falloff in export sales in comparison with 1976, when Poland sold to the FRG 546,000 liters of vodka in 2-liter containers with an alcohol content of 45.2 percent. The USSR sold the FRG 2,132,000 liters, Belgium-Luxemburg--517,000 liters, Finland--149,000 liters. There was a sharp decline in vodka export sales in 1978. Poland sold 278,800 liters, the USSR--810,000, Belgium-Luxemburg--201,000, Finland--19,200 liters. And yet sales of Western vodka are growing steadily, rising from 821,700 liters in 1979 to 840,100 liters in 1980. Judging from the reactions of businessmen and journalists attending a reception given by the Soviets at ANUGA 81, where they were treated to caviar, crab, salmon, and champagne--and of course several kinds of vodka--, 1981 will be a year in which Russian vodka acquires an even bigger share of this market. However, during the year in which ANUGA 79 was held (when we organized our "vodka party") we boosted our vodka export sales from 278,800 liters to 313,100 liters (thereby boosting earnings from 2.2 to 3.0 million marks) only to "fall on our faces" in 1980 when sales dropped to 252,900 liters worth 2.4 million marks. In 1980 the FRG imported a total of 1,297,927 liters of vodka. Are we incapable of acquiring even a 50 percent share of this market? What do we have to do by way of production and promotional efforts to accomplish this goal (apart from keeping the vodka rationing card system in place in Poland)? What are we doing to boost the image of Polish vodka in other countries? What kind of global strategy have we devised not only not to lose ground to the competition, but also to move into an increasingly more dominant position?

Potential customers are constantly being tempted with free samples, lotteries, and contests with prizes. The Stilton Cheese Makers Association has successfully combined its excellent cheese with art, to be precise, in the form of stylish pieces of Wedgewood procelain, in the same way as the Greek olympics combined art with athletics. And everyone who was intrigued by the works of art displayed in their booth--and also sampled the Stilton cheese so redolent of herbs--left with feelings of regret, as if they had lost something which they cherished. And this in fact is what promotion is all about! The Canadians handed out small bottles of "pure maple syrup" and colored folders describing this "natural wonder." The Herbruks Cheese Company of St Johns, USA tempted people with the high earnings they have realized from sales of their "Choc-O-Chee" product, an amazing mixture of yellow cheese and chocolate, and with their folder written in terrible German. At a cocktail party in the Mexican pavilion Herbert H. Lee, director of the Association of Tequila Producers in Dallas (World Trade Center Hall of Nations), presented me with an attractively put together book called "The Tequila Book" (price: \$5.95) covering the prehistory and methods used to produce this beverage and recipes for tequila cocktails. This book tells us that the volume of tequila exports to the USA doubled from 1971 to 1974 and that the word "tequila" means "something mystical." It also appeals to love for one's neighbor. That is, "Americans annually guzzle up enough food that over the course of a given year could have been used to feed 25 million people!" (If grain was not used to make vodka and whiskey and beer; in 1977 Americans drank 4.2 billion gallons of beer and 402 million gallons of vodka and whiskey.)

"What is the moral of this? Leave more grain for people to eat. Tequila is made from the heart of the aguava plant, not from grain. Join the tequila lovers!" Naturally, this promotional book does not tell us that the same ground on which the inedible aguava grows could be used to raise edible grains and vegetables for the starving of the world.

As is the case with all international trade fairs, ANUGA is a big bazaar of possibilities. What we need are first-class professionals to exploit these possibilities. And there is a very great deal that remains to be done in this area. The point is that buyers from all parts of the world should have confidence in everything that is "Made in Poland," that our businessmen should have a reputation in the world as honest, reliable business partners who live up to the terms of contracts and guarantee good reciprocal benefits from trade and cooperation, and that the advice of our trade consultants should be much sought after by both developed and developing countries. These in fact are the good wishes I wish to pass on to Polish professionals engaged in foreign trade, industry and agriculture, to our insufferable bureaucrats in all ministries, to workers in all sectors of the national economy, and to all Poles living at home and abroad. For it is after all true that everything made in Poland and also the behavior of all Poles, whether we like it or not, creates an image of Poland in the eyes of the rest of the world.

11813

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ROLE, FUNCTION OF FOREIGN TRADE ENTERPRISE DISCUSSED

Warsaw HANDEL ZAGRANICZNY in Polish No 1-2, 28 May 82 pp 20-24

[Article by Wieslaw Otta: "Functions of Foreign Trade Enterprises--Directions of Evolution"]

[Text] Foreign trade enterprises function in a varied and changing economic and social environment. The structure and dynamics of the surroundings define the role of the enterprise and determine its functions in the economy and in society. The functions can be divided into realistic, i.e. pertaining to attainment of deliberately chosen objectives of the enterprise and of the larger organizations of which it is a part (associations, ministries, state).

Within the realistic functions, the fundamental role is played by marketing functions performed together with domestic partners and specialized foreign organizations: manufacturing the product, shaping the market, physical transactional functions, material and financial implementation, and post-transactional functions.

The execution of fundamental functions is supported by service functions, the most important of which are: financial administration, cadre function, and administration of permanent property of the enterprise. The foreign trade enterprise also performs many other, often more informal functions and services for its social environment. Of essential importance here are social functions performed for the benefit of the enterprise's workforce.

Up to now regulatory functions have been implemented within the framework of a centralized system of direct management of the economy and foreign trade. Thus, they can be divided into functions of the management of the enterprise and administrative functions performed within the framework of the central system of management.

Existing divergence between outside demands and the ways in which the enterprise functions is to a great degree a result of rigid institutional structure of our economy, minimal flexibility in shaping division of labor, and little responsiveness to changes in the environment. Particularly, many reservations can be postulated as to the way in which regulatory functions are managed. Marked domination of administrative function, little importance

of preparatory, decision-making and analytical functions, as well as burdensome functions pertaining to record-keeping and control of its supervisory apparatus (management, administration) can be observed. This results in inferior regulation in relation to foreign exchange abroad as well as within the enterprise.

Deepening maladjustment and disfunction of foreign enterprises justifies questions: where is foreign trade enterprise going? what will be its role in the now-forming socio-economic system? Present interest in these questions is emphasized by the economic reform which is currently being implemented. The attempt is made to define the most essential changes in external conditions of the functioning of the foreign trade enterprise, which should be expected immediately and in the near future, and to answer the question of whether those changes will bring about full transformation of its role, or just modifications in its scope, and importance of its particular functions.

Changes in the realistic Sphere. The most important long-range tendency in the evolution of the functioning of the foreign trade enterprise will be an increase in the role of industrial organizations in foreign exchange. This is mainly a result of changes observed in the past decade in the commodity structure of our foreign trade exchange and especially of exports. In the long run, it will not be possible to continue pushing for the export of raw materials, a situation which was caused by the economic crisis. The possibility of economically advantageous export expansion can be found only in the export of highly manufactured products.

Increase in the share of trade of highly manufactured products (especially capital goods) entails shifts in the structure of required knowledge and qualifications of producers. Increase in the role of industrial entities in the implementation of marketing functions is clearly seen in the sale of compounded products often produced upon individual request. Here the function of manufacturing the product acquires fundamental importance. Its implementation requires the mastering of the complex problem of not only the construction of the product itself, but also the technology and special requirements of the future user. This is of particular importance for the sale of complete installations, technological assemblies, and elements of production lines. Even highly organized and qualified cadres of technical experts of foreign trade enterprises might not be equal to such tasks.

Essential shifts should also be expected in the implementation of the function of running the market. Mainly, this means that promotional activities would have to include arranging specialized shows, seminars, and training. However, there is little need for traditional advertising techniques. This is also the case with the remaining activities pertaining to running the market, i.e., acquisition and bidding: here technical elements should predominate. A foreign trade enterprise acquires some field of activity in negotiations concerning establishment of trade and financial conditions of the contract and in the financial implementation. Material implementation and post-transactional functions are, however, dominated by the producer.

Of course, the role of a foreign trade enterprise would not be so severely limited in all the cases. Its justifiable input may vary considerably. Analysis of the needs in the area of cooperation between the manufacturer and the foreign trade enterprise producing machinery showed basic differences in the area of necessary marketing functions required from a unit of foreign trade depending on the object of the sale¹. This enterprise offered complete technological assemblies from the foreign trade enterprise the export of which required marketing services which were limited only to trade and financial consulting. It also offered standard catalogue products, the marketing of which could have been successfully conducted by the foreign trade enterprise. This applied even to a part of the function of manufacturing the product.

Increase in the role of industry in the activities of foreign trade constitutes an essential developmental tendency. It should not be treated, however, as an absolute principle. I believe that there are many situations where giving foreign trade enterprises far-reaching rights in organizing product, especially when competing with imports, is warranted.

Foreign trade enterprises which are in possession of foreign exchange to be used for import of finished products should have the right to organize (at prime cost), using their own funds and taking their own risks, putting-out production of such products in the country based on purchase abroad of raw materials and components. In the properly functioning economic system this would be an operation profitable for the enterprise and advantageous to the public. This is extremely desirable in the present situation which is characterized by the duality: non-use of productive capacity of Polish industry and lack of foreign exchange.

The second most important group of phenomena shaping new conditions for marketing activities are changes in our position in foreign markets. Of importance here is not the fact that the markets are dynamic, difficult to enter and even more difficult to hold. The important factor is that the possibilities of applying "strategy of penetration" into a given market with small and varied supplies are being exhausted. In many markets we crossed the threshold of visibility which resulted in decisive counteraction of competition. To hold on to such markets requires deep penetration, and most of all investing in the trade network. This approach is all the more warranted by profits from intercepting profit margins and commissions of brokers. An own sale network is also--usually--much more discretionary than independent agents.

The foreign trade community² has been for some time interested in the problems of the trade network abroad, mainly in the form of single or mixed companies and trade, production and trade-production companies. Many enterprises have created their own companies. However, progress in this area is slow. Limited decision-making capacity of foreign trade enterprises, lack of investment opportunities bringing in foreign exchange and an imperfect economic-financial system which does not allow working out of satisfactory criteria for appraising activities of the trade network abroad and methods of settling with parent³ units are the main hindrances. In the meantime the ability to reach the client and supplier of the foreign trade enterprise

from abroad quickly and directly should prove that foreign trade enterprises are indispensable and have advantage over industrial organizations.

While speaking about conditions under which the international market functions it is impossible not to mention the progressive differentiation and the separateness of its individual segments. As a result it is necessary to apply basically different methods to implement marketing functions in each case. Rarely is an enterprise with wide assortments and geographic scope of operation able, within the limits of warranted and accepted costs, to implement a great number of specialized functions. Here, two nonexclusive solutions are possible. One direction would be deepening specialization (but not exclusivity) of commodities and geographic territory of foreign trade enterprises. Development in another direction would create need for narrowly specialized institutions offering services in the area of information, financial and technical consulting, etc.

Changes in the realistic sphere of foreign trade enterprises include transformations in their social environment, especially among employees. A progressive democratization process is observed. Demands of employee participation in management are now a fact. Considerable increase in demands concerning working conditions and social benefits, as well as changes in their character, should also be expected. For more and more highly qualified personnel, professional activities will become in ever higher degree the area of self-implementation. For this reason "paternalistic" behavior of the enterprise will be less and less efficacious and even outright rejected.

Changes which will take place in realistic, social and economic surroundings of the foreign trade enterprise will have to be reflected in its regulatory functions as well. This especially concerns management of the basic activities, i.e. marketing activities. The size of the market space in which the enterprise functions is increasing. The market dynamics are high as well. Differentiation and distinctness of individual segments of the market is also increasing. In this situation it is not possible to conduct effective commercial operation on a large scale based on intuitive analysis of conditions and customary ways of behavior. It is necessary essentially to increase the role of analytical and preparatory functions (market analysis, forecasting, planning); up to now the development of these functions in the enterprise was effectively blocked by centralized, direct management of foreign trade and the entire economy.

Changes in the Regulatory Sphere. According to the assumptions of the system, a socialist economy is a planned economy, embraced by one consistent regulatory system. The method of executing total economic regulation, shapes, in an essential way, conditions for the foreign trade enterprise's operations, defines its scope and mode of implementing its real as well as regulatory functions.

Methods of managing the economy used so far have led to unprecedented economic, social, and political crisis. They pushed the economy in the direction of spontaneous, uncontrolled changes. In the past few years foreign trade has played the role of shock absorber and of binding material,

joining increasingly disparate parts of the economic system. It is difficult to say, however, that its functioning has been efficient and productive⁴. To come out of the crisis basic change of regulatory mechanisms is needed first of all. The most important of the proposed directions of changes in the sphere of foreign trade and economic cooperation with foreign trade and economic cooperation with foreign countries are:

- limiting of administrative dependency of foreign trade enterprises and other enterprises participating in the foreign trade on the organs of central economic administration (dependence on the Ministry of Foreign Trade turned to a larger degree into functional rather than linear dependence);
- increasing the autonomy of the foreign trade enterprise in the area of financial management (this concerns mainly funds of zlotys, to a smaller degree foreign exchange);
- wider autonomy in planning foreign trade, preserving, however, significant scope of centrally determined, obligatory assignments;
- relaxation of the monopoly on commodities of foreign trade by postulating an increase in the number of concessions for conducting foreign trade operations granted to the internal economy units;
- limitations on the monopoly of commodities of foreign trade enterprises by allowing the domestic contractor to choose an appropriate foreign trade enterprise, and by allowing both import and export servicing of domestic manufacturers by one foreign trade enterprise.

These proposals are not met with universal enthusiasm. Many critical remarks are made about projects of specific solutions⁵. It seems, however, that even now some main directions of changes in the regulatory sphere of foreign trade enterprises can be devined.

Significant expansion of autonomy and increase of decision-making authority of foreign trade enterprises should be considered as the most important of the proposals. The enterprise will most probably have less authority than in other branches of the economy, but the scope of autonomous decisions will broaden. Systematic analysis of the market environment will have to be developed in order to establish an advantageous business strategy. It will be necessary to have at our disposal long-range forecasts of developments in foreign markets and in the internal economy. Planning will become the basic instrument of the internal management of the enterprise. It will result in the necessity to increase the attention to detail and to include in planning many fields of operation heretofore ignored. The basic role must be played by marketing planning which would not only determine the size of tasks and individual markets but also a set of operational plans (a marketing mix). Next to general plans of marketing actions it will be necessary to construct a more detailed planning section for individual markets, or even their segments, as well as for more important marketing ventures (e.g.; programs for entering new markets). Of vital importance will also be financial planning. Financial autonomy will force enterprises to forecast determinants of financial factors (e.g.; prices on foreign markets, exchange rate, credit terms, etc.) and planning of operations which will insure the most advantageous financial position.

In the context of enterprise autonomy, it is impossible not to mention the planning and forming of the organization. Up to now organizational solutions

have been dead instruments. The applied organizational procedures and structures were rigid, they did not consider special operational requirements of particular units. Differentiation of operational conditions of enterprises and increased field of maneuver when managing them, should return the role of one of the basic managerial instruments to organizational solutions.

An autonomous, self-governing, and self-financing foreign trade enterprise will have to pay close attention to the analysis of its own operations. It seems that the most important directions of development of analytical functions are:

- more detailed analysis of outlays and results--in cross-section with particular commodities in relation to markets, their segments (even particular clients), operations, kinds of activities or cells of the enterprise. It will entail modification of the present synthetic system of recording costs and revenues;
- introduction to the analysis of appraisal (evaluation, rating) of taking advantage of opportunities created by the market. Fulfillment of the plan does not always prove that the enterprise took advantage of all the opportunities and is operating on an optimal level. Lost market opportunities should constitute an essential element of internal evaluation of correct operations .

The above mentioned broadening of scope and increase in importance of preparatory and analytical functions is connected to changes in the decision-making function itself. The most important, possible to forecast changes in the decision-making process in foreign trade enterprises are:

- broadening of the decision-making area (matters under the foreign trade enterprise's competence);
- expansion of the time horizon of decision-making for some decisions, e.g.; those pertaining to the establishment of trade network, time range should be significantly longer than the 5-year-plan range);
- decrease in the number of repeated decisions (study, forecasting, planning) and analysis of fulfillment as an informational base for future decisions;
- application on a longer scale of decision-making procedures and models (e.g.; optimizational, allocative models, etc.).

The changes in regulatory functions should be accompanied by changes in the nature and way of processing information. The scope of data base on which information systems are based will change. To a higher and higher degree it will also be necessary to include computers in decision-making processes.

Even though the principles of economic reform imply doing away with administrative functions will be eliminated from foreign trade activities. A limited scope of accountability will surely remain. Without it, it is difficult to imagine steering the economy. In any event it should be expected that the burden of record-keeping and controlling activities performed on behalf of the organs of economic administration will decrease.

The reform in national economy management will leave its imprint not only on the regulatory functions of the foreign trade enterprise. It will also influence the realistic sphere of operations. K. Fonfara⁷ showed connections

between the kind and way of formulating the enterprise's objectives with the scope and methods of implementing realistic operations. It is not possible, however, in a short article, to present the whole gamut of expected transformations. Only those issues which point to basic differences between future situation and the present state should be emphasized. It seems that such significant new areas of activities are: financial economy and new areas of marketing activities of the foreign trade enterprise.

One of the principles of the reform is self-financing of enterprises. It will force them to portray the role of financial economy. It will not be based on record-keeping and control of the usage of means allocated from above. The enterprise will shape, to a great degree, a set of sources from which its revenues come and it will decide on the directions of expenditures. It will force, for example, the careful appraisal of input of particular cells into general outcomes and their share in the costs. Enterprises will have to ponder the concept of "profit centers" and the crossing over of particular cells to full internal self-accounting. This will also concern staff and service units⁸.

As proposed in the projects of reform, the possibility of a domestic contractor choosing a foreign trade enterprise and limiting commodity exclusivity of foreign trade enterprises will put them in a new market situation. There will be no more specific manufacturer-foreign trade enterprise agreements in advance. These connections will be to a great degree shaped freely. This puts the foreign trade enterprise in an entirely new role. It is no longer the necessary executor of marketing functions in the production-trade agreement. It faces the necessity of marketing the "product", which is a set of services which are offered. It will be necessary to get acquainted with the demands of the market (potential foreign and domestic contractors) and accordingly shape the "product", inform and rule the market, negotiate conditions of sale of the "product" (chances to negotiate profit margins and commissions, etc.).

Practical Consequences. As shown above changes in the realistic and regulatory spheres of the environment will entail significant transformations in the demands and expectations directed to foreign trade enterprises. There will be, of course, no radical change in their function. Significant shifts in thresholds of tolerance should be expected. In general, freedom of the choice of modes of implementation of economic and social functions will increase, but simultaneously the demands concerning quality and efficiency with which they are performed will increase as well. This has significant consequences for the practical activity of foreign trade enterprises, as follows: --The general concept of a foreign trade enterprise will have to undergo a change. Safe, practically monopolistic, position in production-trade agreements will end. Very strong pressure from industrial organizations should be expected. The attack should be forestalled by enriching the offer, differentiating the scope of activities, and carrying aggressive marketing of its own services. This will entail a change in mentality and ways in which managers and workforce of foreign trade enterprises operate, which will become more efficient, productive, and--as a result--cheaper in operation than their competition and industrial units.

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3. Compare with A. Jung "O czynnikach efektywnego dziaania przedsiebiorstw handlu zagranicznego" [Determinants of Effectiveness of Foreign Trade Enterprises] HANDEL ZAGRANICZNY, 1980, No 7-8.
 4. More about problems in the functioning of foreign trade system: W. Otta "Reforma w handlu zagranicznym" [Reform in Foreign Trade] ZYCIE GOSPODARCE, 1981, No 12.
 5. E. g.; J. Wierzboowski "Rozwiazanie bez sprzezen zwrotnych" [A Solution Without Feedback] HANDEL ZAGRANICZNY, 1981, No 6; E. Harasim "Moje propozycje do reformy" [My Proposals for the Reform] RYNKI ZAGRANICZNE 1981, No 42, W. Otta "Wiecej uwagi dla producenta" [More Attention for the Manufacturer] RYNKI ZAGRANICZNE, 1981, No 18.
 6. Compare with M. Ciesielski, W. Otta "Cena straconej szansy" [The Price of a Lost Chance] RYNKI ZAGRANICZNE, 1974, No 85.
 7. K. Fonfara "Warianty funkcjonowania przedsiebiorstw handlu zagranicznego" [Variants in the Functioning of Foreign Trade Enterprises] HANDEL ZAGRANICZNY 1981, No 5.
 8. Internal self-accounting of service cells of foreign trade enterprises was proposed already several years ago--see A. Jung, H. Sawicki, "Sztab czy pion funkcjonalne w przedsiebiorstwach handlu zagranicznego?" [Staff or Functional Vertical Structures in Foreign Trade Enterprises?] HANDEL ZAGRANICZNY 1970, No 5-6
 9. Compare with A. Jung, A. Jung, A. Malhomme "O nowa koncepcje przed przedsiebiorstwa handlu zagranicznego" [For a New Concept of a Foreign Trade Enterprise] HANDEL ZAGRANICZNY 1980, No 10.
 10. A broad overview of possible organizational forms applicable in foreign trade is presented in the article: W. Otta "Organizacja dzialan exportowych w przedsiebiorstwie przemysowym" [Organization of Export Functions in an Industrial Enterprise] from: "Czynniki oddziaływajace na export przedsiebiorstw przemysowych" [Factors Affecting Export of Industrial Enterprises] PROFESSIONAL SOCIETY FOR ORGANIZATION AND MANAGEMENT (TNOiK), Gdansk, 1980.

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DRAFT 1982 BUDGET PLAN SUBMITTED

Warsaw TRYBUNA LUDU in Polish 13 May 82 pp 1,2

[Article: "The Country's Economic Situation -- Draft Budgetary Law at the Sejm"]

[Text] The Sejm received a government draft of the 1982 budgetary law. It sets the state budget's income this year at 2.25 trillion zlotys and budget expenditures at 2,618 billion zlotys.

The draft law states that additional state budget income to cover part of its shortage will be economically managed by the government through a hike in the level of social security contributions (from 25 percent to 33 percent of the payroll fund) and also through the introduction of an ad hoc stabilization loan from the economic units which do not receive state budget subsidies.

The government also gave the Sejm a report on last year's fulfillment of the state budget, for the period from 1 January to 31 December 1981.

The Sejm also received government information on the country's economic situation during the first quarter of this year, central plan targets for the second quarter, and a forecast of economic processes during the latter half of 1982. In this publication the government mentions that the introduction of martial law made it necessary to adapt the principles of the economy's functioning to altered conditions while maintaining the new mechanisms of the economic reform to a maximum extent.

The government publication filed with the Sejm also includes a synthesized description of the country's economic situation during the first three months of this year. The declining trends in the economy continued to be maintained, but they were clearly weaker than during the past 2 years.

The government information states that the main element interfering with production this year is the drastic restriction of imports from II payments area [capitalist countries] as the result of the economic sanctions which the United States and other Western countries have imposed against Poland.

The best results during the first quarter were obtained in the coal industry (the plan for extraction was exceeded by 4 percent). The situation improved in the realm of copper, lead, and cement production and in the ceramics industry. There was a great decline in production, on the other hand, in the electric machinery, chemical, and textile industries. The level of grain procurement and slaughter livestock procurement continued at a low level, and observations of market phenomena in agriculture confirm that there are no signs of any reactivation of livestock-raising trends. The supply of the means of production to agriculture continues to fall short of the needs there.

The rise in retail prices has contributed to some normalization and quieting of the domestic market situation. In March for the first time the population's income and expenditures balanced out overall. The Main Statistical Office (GUS) calculates that the rise in the cost of living amounted to 84 percent, which means a decline of about 20 percent in the population's real income.

Plan targets for the second quarter of this year and the forecast of the course of economic processes during the latter half of this year have been formulated in keeping with the assessment of the situation up until now and the effects of agreements with socialist countries regarding increased supply and market imports, which to a great extent will make it possible to compensate for the effects of the sanctions imposed by the Western countries. Consideration was also given to the need to restructure the national economy to permit maximum use of domestic raw materials and a more direct connection between our economy and the socialist countries. It is estimated that industrial production during the second quarter will continue to decline but at a far slower rate. In the food economy, on-schedule supply of fertilizers, pesticides, and spare parts, tires, and fuel, certified seed and seed potatoes and the prompt completion of spring sowing along with the contracting of sufficient amounts of industrial crops were recognized as the most important issues.

One of the most sensitive problems for the economy is the current procurement of grain. We should count on a shortfall of about 360,000 tons of fodder. In order to take care of these difficulties, we expected to export 60,000 tons of high-quality meat and at the same time to import a like quantity of meat of lower quality. This will make it possible to obtain the equivalent of 400,000 tons of grain.

Government information also promises for example to speed up work on the creation of an incentive wage system in connection with a rise in labor productivity.

The government estimates that the latter half of this year will see the onset of growth tendencies in industrial production, along with the possibility for a general balancing of the value of deliveries of market commodities and services with the population's buying power (with profound shortages of certain items).

Summing up, it is not possible in a decisive way to counteract the recession trends throughout the economy, but there are visible signs which show the beginning of activation of the economy in certain areas during the latter half of this year creating the conditions for the onset of growth processes in 1983, according to the government information given to the Sejm.

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PROBLEMS OF CENTRAL OFFICE OF STATISTICS REVIEWED

Warsaw TRYBUNA LUDU in Polish 3 Jun 82 pp 3,4

[Interview with Docent Dr habilitowany Jan Kordos, director of the Living Conditions Department, Main Statistical Office, by Zofia Krzyzanowska:
"The Hour of Truth From GUS"]

[Text] Society is understandably interested in the communiques issued by the Main Statistical Office (GUS) concerning our living conditions, but they are often mistrusted, because they are unintelligible to the average citizen. We are interviewing the director of the Living Conditions Department of GUS, Doc Dr hab Jan Kordos, on the misunderstandings surrounding GUS information and the living situation of society.

[Question] I will begin with letters of complaint. The first concerns GUS' frequent use of arithmetic mean, which is the subject of jokes, as everyone knows. If one employee, for example, earns 5,000 zlotys a month, then the mean is 25,000, if the second earns 10,000. This does not portray the situation of either one.

[Answer] All the jokes I know about statistics fail to interpret statistical data properly. This also applies to arithmetic means, which are often used in statistics, but you cannot apply the value of the arithmetic mean to a given individual in a sampled group, because it is only a measure of the average level of the value of the characteristic of all units as a whole, not a concrete individual. For example, the mean per capita income in employee and pensioner families gives information only on the mean income level in the whole sampled group of households. For this reason we give not only the mean income but also its distribution: the distribution by per capita income level in conjunction with other characteristics being examined, like expenditures for various food and nonfood items. We track the relationships between various factors and characteristics and we examine their interrelationships, in order to be able to know more about the group being examined. This applies in particular to research on the population's living conditions.

[Question] The second complaint concerns the so-called cost-of-living index. People are trying to compare it to their own situation, but somehow it does not match.

[Answer] Assessments of the rise in the costs of living given by GUS are the mean rise in the cost of living of a given group of households (for example, employees', peasant-workers', peasants' households or the households of retired people and pensioners). But in these groups there are various trends: for part of the households the real rise in the cost of living is far greater than the mean. For this reason this share of the households casts doubt on the mean assessments published by GUS. We should also remember that as international practice shows, the ordinary subjective impressions are quite different from objective measurements. In terms of the population's living conditions, in crisis situations there is usually a greater disparity between objective measurements and subjective assessments than under normal conditions.

[Question] The calculation of the cost-of-living index is an unintelligible subject.

[Answer] Cost-of-living indices are information about changes in the prices of consumer services and commodities of a given group of households during the period examined in relation to a previous period (usually a similar period during the preceding year). It depends on the adopted system of weights, which are sometimes called a shopping basket of goods and services, and on observation of changes in the prices of the goods and services which go together to make up that shopping basket. The weights can concern the past period (this solution is most often used in international practice) or the period examined. In Poland the cost-of-living indices published in the statistical annals and other statistical publications are usually calculated according to the weights of the previous period, but they are also calculated according to the weights of the period examined for the purposes of in-depth analysis. Under the conditions of a great rise in prices, cost-of-living indices calculated according to the previous period are usually higher than indices for the current period. It should be remembered that the shopping basket contains goods and services whose prices have increased by varying amounts. The individual goods are also bought in varying quantities and a different frequency intervals. For example, bread is bought every day in a quantity of about 25 dekagrams per person. Barely a couple of dekagrams of sugar or butter are used per day. There are also durable goods bought once every dozen and some years, like furniture and television sets. People observing the rise in prices do not make such calculations. The sense of the rise in the cost of living is created by the greatest price increases, regardless of how great an impact they have on everyday purchases.

It should be emphasized that the cost-of-living index measures the rise in the prices on consumer goods and services in a given sampling of households, but it does not show how much the households currently are spending to meet their needs. For this we have the help of family budget research

which provides information about the current income, expenditures, and consumption of households. On the basis of this research, for example, we can say how much more families are paying for the goods and services bought during the first quarter of this year than the same goods and services would have cost at the prices in effect during the first quarter of 1981.

[Question] What sort of difference would there be in expenditures?

[Answer] In employee families the expenditures during the first quarter of this year amounted to 4,964 zlotys per person per month, but during the first quarter of 1981 they paid 2,683 zlotys for these goods and services, which means that the increase in the cost of living for this group of households amounted to 85 percent. In the families of pensioners and retired persons, expenditures per person amounted to 4,564 zlotys, and during the first quarter of last year they amounted to 2,383, which means that the rise in the cost of living index amounted to 93 percent. In the families of peasants and worker-peasants the rise in the cost of living during the same period amounted to 100 percent and 93 percent, respectively.

[Question] The calculation also takes in the month of January, which was the month before the price increase. Therefore it can probably be said without exaggeration that living costs of doubled. What about income?

[Answer] In employee families income increased by 48.2 percent per person. In families of pensioners and retired people the increase was 65.5 percent. In worker-peasant families the increase was 73.7 percent, and in peasant families it was 116.5 percent. But the rise in the latter two family groups were very differentiated.

[Question] I propose that we put the worker-peasants off to one side, since farm income can be calculated on an even basis only over the course of a year.

[Answer] All right, but for other household groups too the first quarter of this year was special. In February retired persons and pensioners received a lump sum triple compensation. In March there was the combining of the "thirteenth" and "fourteenth" for employees of the socialized economy. These special circumstances make an assessment of the situation more difficult.

[Question] From this we should draw the conclusion that in the coming months income will be somewhat lower. In assuming this improvement we are trying to measure changes in income and consumption. I do not think I will be greatly in error in comparing income from the first quarter of 1981 to income in the first quarter of 1982, saying that in terms of value income of 1,000 zlotys last year corresponds to an income of 2,000 zlotys during the first quarter of this year. Calculating in this way, what sort of changes can we detect in the structure of income?

[Answer] Of course, this is oversimplifying things a great deal, because, as I mentioned before, the cost-of-living index differed from one household group to another, but there were rather substantial changes in the structure of income. For example, during the first quarter of 1981, 34.6 percent of the persons in employee households and 60.4 percent of the persons in the households of retired people and pensioners received up to 3,000 zlotys per person per month. During the first quarter of this year 69.7 percent of the persons in employee households and 82.9 percent of the persons in the households of retired people and pensioners received up to 6,000 zlotys per person.

[Question] These incomes are low. The level and breadth of scope of them confirms the correctness of the wage system reform which is being prepared and of the demands for reform of pensions and retirement pay. But what sort of situation do you find in the extreme groups?

[Answer] During the first quarter of 1981 only 3.1 percent of employees' families and 0.8 percent of retired people's families received more than 8,000 zlotys per person per month. During the first quarter of 1982 the respective figures were 10.7 percent and 5.1 percent.

[Question] In the families of retired people, to what can we attribute the mass retirement of employees? The level of new retirements now is higher. Why? And what about the group at the other extreme?

[Answer] During the first quarter of 1981 11.5 percent of the people in the households of employees and 22.7 percent of those in the families of retired persons and pensioners had a monthly per capita income of less than 2,000 zlotys. During the first quarter of this year 30.2 percent of the persons in employees' families and 49.2 percent of the persons in the families of retired persons and pensioners had per capita incomes of 4,000 zlotys or less.

[Question] This is the group at the poverty level. It is very large.

[Answer] The level of per capita income is not the only criterion for including households in the poverty sphere. Psychophysical ability and what we call living ability play a great role. Many families in this category receive considerable social assistance, for example, in the form of gifts. But certainly most of the people in this group have a very difficult life. Here we need further research, and we intend to undertake such research this year.

This is research which will be of great practical significance, because the protection of the groups in the worst situation is a priority target of social policy.

[Question] Is it possible to assess the changes in real income during the first quarter of this year in comparison to a similar period last year?

[Answer] It is not easy to assess this under conditions of serious market instability, under conditions of crisis and changes in the real income of various population groups. The population's real income is measured in terms of the amount of goods and services which households could buy with their nominal income during comparable periods. In a situation of serious market imbalance, rationing of many commodities, and a permanent shortage of many commodities on the market, the real income indices have a different interpretation than previously. As everyone knows, in practice the index of the growth rate of the population's real income is calculated as the quotient (and not the difference) of nominal income indices and the cost-of-living index. For example, for employee families during the first quarter of this year, if the nominal income index was 148.2 percent and the cost-of-living index was 185 percent, then the real income index would be 80 percent, which means that the real income of households of employees fell 20 percent in comparison to the similar period last year. Last year, however, different conditions prevailed on the market. There was no rationing of goods yet. We should also remember that this is a mean size for this group of households. This decline was far greater for a certain portion of those households.

[Question] For the average citizen, these calculations are complicated. Therefore, let us go back to the general trends in changes revealed as the result of the research.

[Answer] The overall trend is undoubtedly a drop in real income and a certain flattening of income. For example, the standard of living of the families of retired persons and pensioners came closer to the standard of living of employees' families. The group with above-average income increased. When we examine the shopping basket, we also see trends of change in consumption accompanying the decline in real income. Compared to the first quarter of last year, there has been a great decline in the standard of living in households. And that is true of all groups. There has also been a very great increase in the share of expenditures devoted to food as a percentage of total expenditures. This is characteristic of a decline in the standard of living. March was the month of greatest expenditures for food.

[Question] Which can be explained both by the preholiday buying and by the exhaustion of reserves.

[Answer] Perhaps. Let us be careful about conclusions in statistics. We can only note that in March, compared to this past January, food expenditures increased (per person) by 1,348 zlotys in employee families and by 1,364 zlotys in pensioners' families. This means that 58 percent and 65 percent, respectively, of the increase in total expenditures went for food. At the same time we are noticing a decline in the consumption of nonfood items and services: by 13-20 percent after accounting for the change in prices. Going back to the data for the quarter, the greatest decline was in the consumption of items and services related to meeting needs in the realm of culture, education and recreation, a decline of 25-28 percent in relation to the first quarter of 1981. Except for the

households of pensioners, it was double in the use of transportation and communications. The value of food consumption declined by 9-15 percent, despite the increase in the share of expenditures. The greatest drop occurred in the consumption of meat and variety meats, animal fats, and butter. On the other hand, there was an increase in the consumption of breadstuffs, vegetables and vegetable products, milk, and sugar, but these increases are not great, ranging around a few percent. Generally speaking we can say that the price increases had only a minimal impact on the amount of food consumed and had only a slight influence on the structure of nutrition. Here the income factor makes a great difference in terms of consumption of high-quality foodstuffs, like meat, fish, cheese, fruits, and vegetables.

[Question] You have very detailed, interesting tables of the sizes of consumption of various items broken down by social groups and income groups. I must admit that at many points these tables are astounding. They show, for example, that the consumption of rationed items is greater than the ration-card norms would imply. Usually only the families with the lowest incomes break down. What is the reason for this? Black market buying? Stock on hand still being consumed? Help from families in the rural areas?

[Answer] It must be admitted that the situation is full of unclear points, which make it very difficult to assess the society's living conditions, but the research results for May and June eliminate some of the unclear areas. Compensation allowances for the "thirteenth" and "fourteenth" [pay] will no longer have an impact on the calculation of income. The calculation of expenditures for the size of consumption will no longer be influenced by reserves which are being exhausted, by farmers' market buying, or by the black market. The farmers' market prices are already close to those of socialized trade, and the scope of the black market is narrowing along with the decline in the population's real income.

[Question] Therefore we are getting closer to the hour of truth, which cannot be hidden. It is true that this is bitter, but it probably will not astound the society, which is already acquainted with it from its own daily observations and experience. We all feel that the material conditions of our life have become very much worse. It is true that the statistical confirmation of these feelings will not provide the means for improving the standard of living, but the accuracy of statistical research is nonetheless of great, comprehensive significance, not just because it convinces people that their difficulties are noticed and not trivialized, which creates faith in the measures stemming from the research, but also because] statistical findings can help in making decisions in areas which are of decisive significance with regard to the society's living conditions, areas like social policy, wage policy, and benefits. Competent decisions provide the possibility of correct solutions which coincide with the interests of the society.

[Editor's note] During the past months the government has been devoting a great deal of attention to protecting the families which are economically the weakest. We have written about this more than once, and we shall return to this subject.

USE OF DOMESTIC RESOURCES TO ALLAY NEED FOR IMPORTS SUGGESTED

Warsaw PERSPEKTYWY in Polish No 13, 14 May 82 p 10

[Article by Andrzej Zimowski: "The Key Is Less Foreign Exchange. Fish Oil Overboard"]

[Text] As perhaps you readers remember from publications which have appeared in the last several months, in 1980, Poland exported to capitalist countries goods worth 24.2 billion foreign exchange zlotys, which after conversion, is over 7 billion dollars. Unfortunately, the balance of foreign trade remained negative, because at the same time, we imported commodities worth 27.7 billion foreign exchange zlotys, an exchange value of over 8 billion dollars.

In 1981, Polish exports began to quickly decrease, which had immediate repercussions in necessitating a lowering of the level of imports.

And then came 1982, and the forecast for this year, prepared on the basis of the results of the past three months, are poor: a further lowering of the value of export commodities and, consequently, a shortage of foreign exchange for much needed supplies.

The situation created is best illustrated by the table below which in we again use foreign exchange zlotys with respect to the application of this measure of value in past years:

<u>Item</u>	<u>1979</u>	<u>1980</u>	<u>1982</u>	<u>Forecast</u>
	(in billions of foreign exchange zlotys)			
Exports to capitalist countries	21.4	24.2	18.5	12.0
% (1980 100)	88.4	100	76.4	49.5
Imports from capitalist countries	26.0	27.7	19.5	9.0
% (1980 100)	93.8	100	70.4	32.5

Let's consider for a moment the significance of two figures related to the anticipated turnovers in foreign trade in 1982, namely the two-fold decrease of our exports in comparison with 1980, and the three-fold reduction of imports.

Our industry, developed in a material-intensive and import-intensive direction as a result of the political program conducted at one time, has met with stiff barriers: a shortage of foreign currency for imports, and therefore a shortage of many raw materials, and other materials, for production, and a shortage of spare parts for machines and equipment imported from western countries. The limitations in production resulting from this further decrease the volume of exports which again lessen import possibilities and, in this way, create a vicious circle.

In this situation, a very significant matter is the most effective possible utilization of those modest foreign exchange resources that we have, and therefore, above all, the importing of such goods, thanks to which we limit so called production bottlenecks in industry. The political management of investments throughout the 1970s led to a situation where, in developing the production of goods, parallel, or even prior development of the raw material base was forgotten. A very telling illustration is that of the chemical industry. The "Program of the Chemicalization of the National Economy," worked out at the beginning of the 1970s, remained on paper for the most part. And the effect of the above is shown in an unequivocal way by the following table concerning imports, from capitalist countries, of several raw materials and semi-finished chemical products.

IMPORTS FROM CAPITALIST COUNTRIES

<u>Name of raw material, semi-finished product or group of goods</u>	<u>Average annual value of imports in millions of dollars</u>	<u>Earmarked for:</u>
natural fatty acids and fatty products	13.3	production of soap products
synthetic glues and resins	14.5	production of footwear, clothing, goods from fabrics, electromachine industry
pharmaceutical raw materials	39.5	pharmaceutical industry
semi-finished synthetic products and synthetic dyes, refining materials	11.9	textile industry
synthetic aromatic materials	9.5	soap industry, perfume and cosmetic products
semi-finished products and materials aiding in the production of rubbers and of rubber materials and rubber products	5.1	synthesis of synthetic rubbers, plastics, production of rubber and plastic products

materials for the refining industry	16.3	production of motor oils and greases and gasoline
synthetic resins, solvents, pigments	43.6	production of paints and lacquers

In the table, such important items as natural unvulcanized rubber or phosphorite are purposely disregarded because they are raw materials, import of which we cannot cut out or even greatly reduce; shown however, are chemicals, of which the majority could be produced in Poland. On items of this type, the chemical industry has recently spent almost 1 billion zlotys, that is, almost 300 million dollars, annually.

Therefore, besides the effective expenditure of foreign exchange currency, the question of activating the domestic production of substitutes of imported products is immeasurably important and urgent. But what do we see? In many cases, Polish scientists have developed production technologies; on this basis, they have worked out so called trial projects. They have set into motion, on a semi-technical and even technical scale, production of many valuable and expensive products, and in spite of this, imports continue.

A few weeks ago, in the Planning Commission building, there was an interesting meeting of representatives of the world of science and industry, from the chemical and mining industries. The discussion showed that a modest flow of foreign exchange can be directed along a different way if we only begin to utilize the work of the domestic scientific-research force. It also showed that industry is ready at once to introduce technology, if only barriers, often of a purely bureaucratic character or a result of inadequate regulations, or the lack of certain regulations, are removed.

What kind of examples were given, and what kinds of barriers were enumerated?

In 1980, we imported from capitalist countries 10.5 thousand tons of industrial fats while, as the Office of Materials Management (UGM) gives, over 25 thousand tons of fats are wasted annually in Poland. We even have the technology for processing them. What is not organized, however, is the collection of these fats: in many processing plants, there is a shortage of so called grease catchers, there are difficulties with their transportation, and carcasses are not utilized for recovering fats. A scandalous example is that of fish oil, which, as a result of the lack of storage possibilities on fishing ships, is simply thrown overboard.

UGM has worked out a reasonable and realistic program of utilizing domestic fat sources--why isn't it being used? One answer emerges--because up to now, it has been easier to buy it for dollars than to organize a collection of fats and save those dollars--up to now. And now?

In the sheet iron works of the Institute of Heavy Organic Synthesis, technique of producing hitherto imported products have been developed, and semi-technical

pilot installations, and even production on an industrial scale, have been started, for example, production of powdered polyethylene for the needs of the automobile, clothing, and mining industries. For a full activation of production we lack only one mill from a West German firm, for pennies. There has been no approval of the import of the mill, however, four times as much money is found for importing powdered polyethylene.

This same institute has already tested techniques of production for many complicated chemical compounds. Often, they are not introduced because of a lack of a producer of simple and inexpensive equipment.

The Central Laboratory of Batteries and Cells has developed a number of techniques for chemical production of sources of current, but some of them, encountering mounting difficulties, have been utilized to only a small degree. This applies to production of a special type of carbon for Leclanche type batteries, and of various compositions of glues.

Also, the Institute of Industrial Chemistry has many developed and mastered technologies waiting for application, from large installations to a number of small technologies for the needs of the materials and glue industries, and agricultural industry.

A great source of foreign exchange is the copper industry. Technologies for recovering certain metals accompanying copper deposits, for example, silver, lead, and nickel, have been developed. However, in spite of these technologies, cobalt selenium, thallium, and indium are not being recovered. Techniques for bismuth, molybdenum, and arsenic have not been developed. If there was recovery of all the metals accompanying copper ores, the efficiency of the copper industry would increase by about 20 percent.

The current state of Polish technology of managing aluminum scrap and wastes is highly unsatisfactory: of the approximately 18 thousand tons of scrap annually, only 44 percent is processed.

In metallurgical processes conducted in steel, a waste gas is produced which has a fuel value of about 2200 K cal per 1 m³ of gas. Utilizing it in the Katowice iron works alone would allow savings of about 70 thousand tons of standard fuel annually.

In a word, there is much foreign exchange tied up while our economy needs a great number of good scientific, and later technical, developments, allowing us to secure foreign exchange. If only there were not barriers to introducing them... With their profits, plants are not able in many cases to rebuild old machinery that is falling apart. Where then are they to get the money for financing research projects and for utilizing the results of these projects, especially in the case where it is easier to obtain foreign exchange for import of deficit raw materials?

This, then, is the paradox. That certain finished products are being continually imported while at the same time, there are in Poland installations for producing them, because there is a shortage of foreign exchange for

purchasing much cheaper raw materials. Is this happening because of the politics of various ministries? Why can't a flow of information between enterprises about what is imported be activated? Maybe then it would appear that with a small amount of good intentions, ingenuity, and a little money, many products could be made in Poland.

There are many barriers, questions still to be settled, inadequate regulations, a lack of an incentive system for application of technologies. Maybe periodic tax breaks are needed. Maybe, additional, internal import duties, when there is a chance for a quick activation of production of goods previously imported, are needed.

Application of the results of many Polish developments may considerably help in overcoming the economic difficulties. It should be expected that the recommendations announced at a particular meeting, together with a critical evaluation of the situation, will be seriously considered by our specialists and they will find the key to increasing production.

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